

The Engine For Asia's Recovery Sputters

Japan Nears Recession; Analysts Say Fall in Yen Could Make Crisis Worse

By Sandra Sugawara
Washington Post Service

TOKYO — Any hope that Japan could be the engine of growth to revive other struggling Asian economies has largely been abandoned, giving way to the fear that Japan's economy could spiral downward so quickly that it could plunge Asia into another economic tailspin, according to many economists.

Japan's economy swerved closer toward recession by contracting 0.2 percent in the October-December quarter, largely because of a sharp decline in personal consumption, the government reported Friday.

Combined with an expected gain of only 0.2 percent in the January-March period, the economy will very likely turn in its worst performance in almost a quarter-century in the year ending March 31, economists said. The figures led even Tokyo to admit that its minimal growth target of 0.1 percent for the year might be too optimistic.

The economy was brought down by a series of tax increases and bankruptcies that prompted consumers to save more and spend less. And with exports to Asia slumping, companies are cutting capital spending, leading to declines in output, jobs and wages. Few companies anticipate a rapid turnaround.

Economists worry that Japan is about to get caught up in a vicious cycle where lower demand for products causes prices to fall, which causes profits to be squeezed, hurting wages and jobs, which in turn causes even lower demand.

They warn that Japan, the world's second-largest economy, is about to enter the worst deflationary period in decades unless the Japanese government takes urgent actions, which it so far has refused to do.

Other recently released figures indicate that the problem is likely to get worse:

- Wholesale prices fell 1.0 percent in February compared with a year earlier.
- Corporate profits fell 9 percent in the last three months of 1997, compared to the same period in 1996, the first such drop since 1994.
- Numerous companies recently lowered their profit projections for the fiscal year ending March 31. Sega Enterprises Ltd. said Friday it would post a loss for the first time since it was publicly listed 10 years ago. (Page 13)
- Household savings surged by 10.5 percent last year, indicating a reluctance to spend that inevitably will hit prices.
- Per capita cash income fell 1.1 percent in January compared with a year earlier.

"Deflation is downward momentum in prices, profit and wages," said Russell Jones, a Tokyo-based economist with Lehman Brothers. "This is de-

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The South Korean novelist Hwang Seouk Young, 56, celebrating his release Friday after seven years in jail.

South Korea Grants Sweeping Amnesty

Kim's Decree Benefits Millions; Some Dissidents Are Left Out

By Don Kirk
International Herald Tribune

SEOUL — President Kim Dae Jung granted amnesty to more than 5.5 million of his countrymen on Friday — for everything from traffic tickets to spying — and freed 2,304 people from jail, including some of the nation's best-known political prisoners.

A novelist, a Buddhist monk, labor organizers, North Korean sympathizers and former spies joined petty thieves and pickpockets in leaving jails in the mass act of forgiveness ordered by Mr. Kim to celebrate his inauguration Feb. 25 and encourage "reconciliation" during a time of worsening economic troubles.

The amnesty covered 74 political prisoners and 11 labor activists but omitted 70-year-old Woo Yong Gak, captured 40 years ago in a North Korean commando raid in South Korean waters.

The failure to free Mr. Woo and more than 400 others classified as "prisoners of conscience" outraged the human-rights group Minkahyup, which had dispatched mothers and wives to the gates of prisons throughout the country.

But the government said it had released all political prisoners over the age of 70 — a total of six people — even if they had not changed their views.

The argument that those who still advocate communism should remain in prison was likely to appeal to many South Koreans who see no prospect of reconciliation with North Korea and fear that Communist sympathies will play into the hands of the North.

A total of 5,527,827 people benefited from the amnesty in which records of millions of traffic tickets and petty crimes were simply expunged. Among those included in the amnesty were 31,581 who remained in jail but had their sentences reduced and 166,334 government workers whose minor infractions of rules were wiped from the records.

Scenes of laughter and tears were broadcast on Korea's national television networks as relatives and friends rushed to greet their loved ones. Half a dozen North Korean sympathizers in their 70s walked haltingly into a world that they had not seen for more than two decades.

"Freedom at last," proclaimed a banner greeting the novelist Hwang Seouk Young, who spent seven years in prison for visiting North Korea four times from 1989 through 1991 and receiving money from the North.

Gripping friends hoisted the 55-year-old novelist, clad in a light gray suit, white shirt and necktie, as he emerged from the gate of the prison in Kongju, 175 kilometers (110 miles) south of Seoul.

Mr. Kim, who spent six years in jail as a political prisoner and is the only opposition leader ever to be elected president of Korea, wanted "to stress the importance of the peaceful switch of power between the ruling and opposition parties and enable the entire nation to feel this important historical event," said a spokesman.

Justice Minister Park Sang Cheon

said the amnesty showed President Kim's desire "to leap forward as a nation and overcome economic hardship and achieve democratic prosperity."

Mr. Park cited the need to protect national security as the reason for not releasing more political prisoners.

"Pardoning those who have not repented is not proper," he said.

Mr. Woo, held in jail for so long for refusing to renounce communism, told a reporter who saw him briefly in his cell that he still hoped to get out by his next birthday.

"I can't believe he wasn't released," said Kim Soo Jin, a Minkahyup official helping to organize van loads of women visiting prisoners. He added that the criterion for freeing long-term political

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New Cancer Cases on Decline in U.S.

Reversal, First Since 1930s, Coincides With a Drop in Deaths

By Sheryl Gay Stolberg
New York Times Service

WASHINGTON — For the first time since the 1930s, the number of new cancer cases in the United States is declining, federal officials said in announcing a sharp reversal in the incidence of diseases that kill more than 1.5 million Americans each day.

Deaths from cancer are also dropping, continuing a trend that was first reported in November 1996. Together, the two developments offer experts new hope that 27 years after President Richard Nixon declared "war on cancer," the nation may have reached a turning point.

"The burden of fear the public has been feeling should begin to lift," said Dr. James Marks of the Centers for Disease Control and Prevention as he made public a national report card on cancer at a news conference here. "Cancer is conquerable and progress is being made."

Experts attribute the decline in new cases to changes in behavior, most notably a drop in smoking, and the decline in deaths to increased screening and better therapies. But the positive trends are not benefiting all Americans; minorities and women remain particularly at risk.

[The study did not look at countries in Europe or Asia. But according to the International Agency for Research on Cancer, based in Lyon, estimates of

cancer incidence show that the number of people afflicted in France, Germany and Italy declined from 1985 to 1990.

[These estimates, based on computer models and not national statistics, showed increases in the incidence of cancer in Japan, Canada and Britain for the same period. Nationwide statistics on the incidence of cancer are gathered only in the United States, Canada and the Nordic countries, an agency official said.]

From 1990 to 1995, the U.S. study found, cancer rates for American men and women of every race dropped, with one notable exception: black men. They

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THE LATEST NEWS FROM OUTER SPACE

Is the Sky Falling? Scientists Get Testy

Although astronomers now seem to agree that a mile-wide asteroid will miss the Earth when it sails into our vicinity in 2028 — and mankind will not be going the way of the dinosaurs — scientists are nonetheless quite cross with one another.

Brian Marsden, one of the leading U.S. experts on asteroids, now says that asteroid 1997 XF11 will not pass as close as the 30,000 miles he earlier predicted, but that the probability of its hitting the Earth "is not zero."

But other scientists decided that view, saying the likelihood "is effectively zero."

Galaxy Sighted On Rim of Universe

Astronomers using the largest optical and infrared telescopes in the world, atop a dormant volcano in Hawaii, have detected the most distant known object in our creation, a young galaxy that existed when the universe was only 6 percent of its present age.

The discovery stretched the reach of human perception 90 million light-years farther than before, to the period less than a billion years after time and space began in the Big Bang, scientists said. It offered encouragement that an emerging generation of telescopes would be able to unveil the primeval galaxies of that epoch.

U.S. Plans a Show Starring the Earth

Vice President Al Gore announced a U.S. plan on Friday to make a live video image of the full, sunlit Earth — spinning on its axis against the blackness of space — continuously available to the world, via television and the Internet.

The "all-Earth, all-the-time" images would be transmitted from a spacecraft stationed between Earth and the sun, and would resemble the historic portrait of the fragile and isolated blue planet snapped by the Apollo 17 astronauts — the last men on the moon — on Dec. 7, 1972, a picture that has become an icon.

But you won't have to go far. Turn to Page 3.

Suharto's New Cabinet: No Dream Team to IMF

By Seth Mydans
New York Times Service

JAKARTA — The shape of Indonesia's new cabinet is likely to set back hopes for vigorous implementation of reforms demanded by international lenders, as loyalty to President Suharto appears to predominate over fealty to mainstream economics.

The names of the leading candidates, printed in newspapers here Friday, included longtime supporters and friends and suggested that the new finance minister would be less friendly to the International Monetary Fund than the man he was to replace.

The naming of the cabinet was the first test of Mr. Suharto's intentions as he enters new discussions with the Fund over the austerity measures it is demanding in return for continued disbursement of its \$40 billion rescue package.

It coincided with the arrival here this weekend of a team of IMF officials, of

Prime Minister Ryutaro Hashimoto of Japan and of the latest in a stream of American emissaries, David Lipton, a senior U.S. Treasury Department official. All are expected to urge Mr. Suharto to proceed with the economic liberalization to which he agreed in January.

Mr. Suharto, 76, was inaugurated Wednesday for a seventh five-year term amid assertions of nationalist solidarity in the face of what Indonesian officials now characterize as interference by the IMF and foreign governments.

The official stance was expressed by the military commander-in-chief, General Wiranto, who said Thursday: "Reforms — political, legal and economic — should be constitutional, gradual and not done in a radical way."

A leading Indonesian economist, Rizal Ramli, has characterized the Fund as "an amputating doctor, not a healing doctor," whose medicine is sometimes so strong that it can kill the patient.

Mr. Suharto has made it clear that he hopes to continue to receive IMF funding but that urgent additional steps must be taken to strengthen the value of the Indonesian currency, the rupiah, which has sunk to less than 30 percent of its value six months ago.

"We're not asking for much," the president told supporters Thursday. "We just want to have a stable rupiah so that people's living standards do not fall further."

In what one foreign banker described as an attempt to have his cake and eat it, Mr. Suharto appears to hope to persuade the IMF to let him raise the value of the currency by artificially pegging it to the

Newstand Prices

Andorra	10.00 FF	Lebanon	11.500
Armenia	12.50 FF	Moldova	16.00
Austria	1.800 CFA	Qatar	10.00 QR
Bahrain	95.500 BHD	Romania	12.50 FF
Belgium	10.00 FF	Saudi Arabia	10.00 SR
Brazil	1.100 CFA	Senegal	1.100 CFA
Canada	2.800 CFA	Spain	225 Ptas
Chad	1.250 CFA	Tunisia	1.250 Din
Czech Rep.	1.250 CFA	U.A.E.	10.00 Dh
Dominican Rep.	700 Ptas	U.S. (incl. tax)	\$1.20



PROTEST IN KOSOVO — Part of a huge crowd of ethnic Albanians demonstrating Friday in Pristina for an independent state. Page 2.

Jones's Lawyers Throw Their Big Guns at Clinton

Compiled by Our Staff From Dispatches

LITTLE ROCK, Arkansas — Lawyers for Paula Jones released papers Friday accusing President Bill Clinton and his aides of engaging in a "vast enterprise to suppress evidence" and arguing that her sexual harassment suit against the president should go to trial.

In a 100-page brief and 600 pages of accompanying documentation, including portions of depositions that other women have given in the case, Mrs. Jones's lawyers told a U.S. District Court judge, Susan Webber Wright, that the motion by Mr. Clinton's lawyers to have the case dismissed "should be denied."

a vast enterprise to suppress evidence in this case and otherwise corrupt these proceedings."

The case is scheduled for trial here May 27. Mrs. Jones's lawyers outlined in their motion evidence of what they said was a pattern by Mr. Clinton of making sexual advances toward women and subsequently trying to persuade them to deny it.

In the case of Kathleen Willey, who once worked at the White House, "Mr. Clinton took the opportunity to sexually assault her just outside the Oval Office, apparently fulfilling a longstanding desire of his," it said. He has denied that in a deposition. The incident is alleged to have happened in November 1993.

The president has also publicly denied Mrs. Jones's claim that he asked her for oral sex in 1991 and was

responsible for denying her proper raises and advancement as a result. At the time, Mr. Clinton was governor of Arkansas and Mrs. Jones a state clerk.

The White House spokesman, Michael McCurry, asked before the papers' release about whether the president was dreading them, said, "He's a human being and he has human reaction when he reads stuff like that, sure."

Of the former White House intern Monica Lewinsky, the papers said, Mr. Clinton "misstated the nature and extent of his contacts with her...and misstated the extent of his communications with Vernon Jordan about Ms. Lewinsky." (AP, Reuters)

President Clinton's new strategy: Attack the Republicans for everything. Page 3.

AGENDA

Yeltsin Ill With Respiratory Problem

President Boris Yeltsin has an acute respiratory problem and laryngitis, Kremlin officials said Friday.

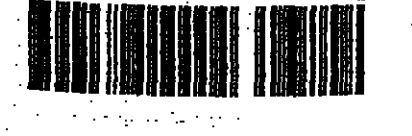
He canceled his appointments and doctors were treating him with antibiotics. He was resting at his country home outside of Moscow, the state-

ment said. The illness followed Mr. Yeltsin's criticism of the press for speculating about his health.

In December, he was bedridden with what his doctors described as a virus infection. Some reports said he had suffered minor strokes. Page 2.

EUROPE			
Damas and the Gallic Scandal du Jour			
New York	Friday @ 4 P.M.	previous close	
Dollar	1.8178		1.8281
DM	1.6715		1.6578
Pound	1.2813		1.29235
Yen	8.0965		6.128
THE AMERICAS			
China Might Escape UN Rights Censure			
Books	Page 6		
Crossword	Page 7		
Opinion	Page 4		
Sports	Pages 24-25		
The Intermarket	Page 8		
The Internet	www.ihl.com		

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Yen	8.0965		6.128
The Dow			
Friday close	previous close		
-57.04	8602.52		8658.56
S&P 500			
Friday @ 4 P.M.	previous close		
-1.31	1068.61		1069.92



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Kosovo Leader Sticks to Policy of Nonviolence

By Chris Hedges
New York Times Service

PRISTINA, Yugoslavia — Ibrahim Rugova, the president of the self-declared Republic of Kosovo, who comes close to being revered among the ethnic Albanian majority here, sat behind his desk in his small office and talked of literature. Across town, a Serbian government delegation waited, professing a desire to negotiate a solution to the violence here.

But to Mr. Rugova there was little reason to talk with the Serbs, or even discuss their actions, especially because they had never bothered to send him an invitation. To this disheveled former academic, Shakespeare is more interesting.

"An Albanian who reads Hamlet understands his philosophical and moral dilemma," said Mr. Rugova, who studied in Paris and has a doctorate in literature. "Hamlet's commitment to justice, and his understanding of its tragic dimensions, speaks to Albanians here, especially young Albanians. Shakespeare could almost be a domestic writer."

There is perhaps no leader in the former Yugoslavia who is so outwardly free of rancor and hatred as Mr. Rugova,

who despite his stature bumbles around his tiny office with his black curls cascading over his ears and the cuffs of his white dress shirt unbuttoned.

He says he is passionately committed to nonviolence, condemning the kind of hit-for-hit atrocities that have plagued the Balkans for decades, although his father and grandfather were executed by the Communists in a 1945 uprising.

Arguing that linguistic brutality is poisonous, he refuses to use derogatory terms to describe the Serbs, who make up 10 percent of the population and rule the province like a colonial outpost.

"I am cautious," he said, his glasses sliding gently down his nose. "You build nothing positive by destroying others, by using language that inflames a crisis. The Belgrade regime, after all, is repressive toward its own people as well as the Albanians."

Since 1989, when Slobodan Milosevic, then president of Serbia and now president of Yugoslavia, revoked Kosovo's autonomous status, Mr. Rugova, 53, who heads the Democratic League of Kosovo, has presided over a disciplined civil resistance. His shadow government, formed after underground elections in 1992, oversees its own school and health system and collects taxes.

Mr. Rugova's civility, however, is increasingly viewed as quaint and outdated, even as his stature as a leader and a symbol of resistance remains unsailable. The recent crackdown by the Serbian police, which has left about 80 ethnic Albanians dead, has unleashed support for the Kosovo Liberation Army, a separatist guerrilla movement.

"The situation is very, very dangerous," he said. "These massacres have left people angry and deeply frustrated. There is a growing desire to revolt. These armed groups, or individuals who use violence, will only give the Serbs a pretext to carry out more massacres of innocents."

The Serbs were urged to open a dialogue with the leaders of Kosovo by the contact group of six nations that monitors the former republics of Yugoslavia. But when the Serbs came Thursday to this province, where the other 90 percent of its 2 million residents are ethnic Albanians, they were ignored. Mr. Rugova said he considered the visit did not deserve serious attention.

"The Serbian regime would like to see all Albanians leave Kosovo," he said. "In any conflict the lucky ones would be driven over the borders as refugees. The fact that we have our own

government, our own system, that we are still here as a nation struggling for our freedom, can be considered a significant achievement."

Mr. Rugova's chief political rival, Adem Demaci, 62, who spent 28 years as a political prisoner, dismisses him as "a conjurer who tricks his audience into believing things have happened when they have not."

"He is the architect of all our political failures," said Mr. Demaci, seated in his tiny apartment. "I will not condemn the tactics of the Kosovo Liberation Army because the path of nonviolence has gotten us nowhere. People who live under this kind of repression have the right to resist. The Kosovo Liberation Army is fighting for our freedom."

Mr. Demaci, who heads the second-largest party in the province, has refused to run against Mr. Rugova in under-ground elections scheduled for March 22, saying that it is no longer appropriate "to play political games."

Such talk worries Western diplomats, who see Mr. Rugova as increasingly isolated. Yet, they are also frustrated with his unwavering call for independence, arguing that Kosovo should be granted autonomous status by Belgrade, but should not be permitted to secede.



Ibrahim Rugova, leader of the Democratic League of Kosovo.

"It would be political suicide for Rugova to give up the call for independence," said Mahmut Bakalli, who spent a decade as president of the autonomous province under communism. "This is not a fair demand. The tragedy is that the other political leaders have become militant. The Serbs will never again deal with someone with Rugova's compassion and moderation."

Thousands March In Kosovo, Calling For Independence

R. Jeffrey Smith
Washington Post Service

PRISTINA, Yugoslavia — Ethnic Albanian students and labor union members demanded an independent republic of Kosovo during a huge demonstration here Friday, the third such protest since Serb police and paramilitary units killed more than 60 Albanians last week.

The police took no action against the crowd, which was estimated at more than 50,000. This was the first time the police have let such a large demonstration proceed without interference.

The students gathered for half an hour on a hillside near the U.S. Information Service office at the edge of the city center and then marched toward the center before dispersing.

Since residents know that public displays of anger at the Serb government can be dangerous, few demonstrations have lasted more than an hour — the amount of time it usually takes the authorities to reach the breaking point.

But Friday there were scores of foreign television cameras watching, and the Belgrade government has already been threatened with new foreign sanctions for using excessive force while acting against suspected Albanian extremists.

Photographs of policemen beating students during a demonstration two weeks ago were a public relations disaster for the government, and they served to enrage rather than subdue the majority ethnic Albanian populace in Kosovo.

Still, a Western diplomat said that the government's view had previously been that "the first time there is a demonstration that doesn't get broken up, there will be another one" immediately afterward.

EU Won't Back Independence

The European Union will fully support Kosovo's demands for greater autonomy in Yugoslavia, but it will not back independence, the bloc's foreign ministers agreed in Edinburgh on Friday, Agency France-Press reported.

Yeltsin Falls Ill Again: 'Respiratory Disorder'

By Daniel Williams
Washington Post Service

MOSCOW — President Boris Yeltsin is sick again, this time with an acute respiratory problem and laryngitis, Kremlin officials said Friday.

The illness followed by three days Mr. Yeltsin's criticism of the press for speculating about his health. In December, he was bedridden for two weeks from what his doctors described as a virus infection. Some news reports said he had suffered minor strokes.

Almost any attack of ill health sends flurries of concern around Moscow because of Mr. Yeltsin's 1996 heart attack, which Kremlin aides tried to hide from the public, and subsequent major heart surgery.

Mr. Yeltsin canceled his appointments Friday and, as usual, there were conflicting reports about exactly what ailed him. The Kremlin put out a statement saying he came down with an "acute respiratory disorder," that brought on hoarseness. Doctors were treating him with antibiotics and he was resting at his country home outside of Moscow, the statement said.

Deputy Prime Minister Anatoli Chubais told a visiting German parliamentary delegation that Mr. Yeltsin had the flu. "There was nothing dramatic in the way it was described," said Rudolf Seiters, a member of Germany's Christian Democratic Party.

Mr. Yeltsin's chief of staff, Valentin Yumashev, said the president "has a cold."

Russia's stock market declined slightly on the news, but most politicians took the reports in stride. "Everyone can fall ill," said Gennadi Seleznyov, the speaker of Russia's Parliament. "It's simply age."

On Tuesday, after a checkup, Mr. Yeltsin told reporters to stop "dragging out the subject of the president's health."

"There is no such subject," he went on. "It is closed." He invited the reporters to compete with him in swimming, tennis or on the track.

Mr. Yeltsin prides himself on vigor, and used to play tennis with associates, swim and ski, sometimes topping it all off with sweat-soaked marathons in the banya, Russia's super-hot bath house.

For the last 10 years, this self-sustained picture of robustness has been chipped by numerous ailments. Before his 1996 heart attack and surgery, he suffered problems of blood supply to the heart. In 1992, word of heart troubles leaked during a visit to Japan when he missed a scheduled meeting with the Japanese prime minister. Two years earlier, he had required back surgery after a plane on which he traveled crashed landed in Spain. Heavy drinking also contributed to fragile health.

Few Russians are convinced that Mr. Yeltsin is as good as new, and there has been much speculation about a possible successor. Most attention has centered on Prime Minister Viktor Chernomyrdin, regarded as the status quo candidate of major financiers and executives of Russia's heavily concentrated oil and gas industry.

Clinton Weighs Trip To Belfast In May

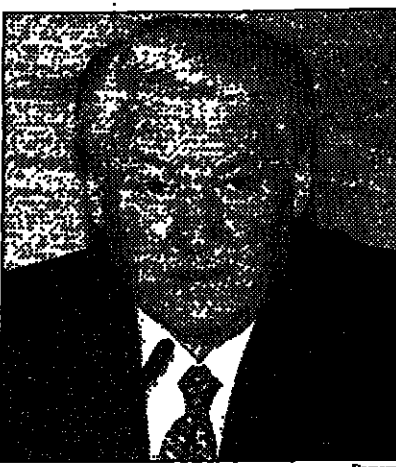
Reuters

WASHINGTON — President Bill Clinton is holding out the possibility of making a trip to Belfast in May if there is progress in the Irish peace talks.

Mr. Clinton said Friday that making such a trip would depend on the status of the Irish peace process and whether the prime ministers of Britain and Ireland believed a visit could be helpful. Mr. Clinton said he hoped to meet the major players in the peace process during their visits to Washington on March 17.

"I think the next 60 to 90 days are very, very important and we have to do everything we can to try to get the parties together to move in a timely fashion," he said.

Mr. Clinton is scheduled to be in Britain in May for the annual summit of the seven major industrialized nations.



President Boris Yeltsin, who is reported resting at his country house.

Israeli Court Eases Spy's Jail Conditions

The Associated Press

JERUSALEM — Israel has ended Mordechai Vanunu's solitary confinement, allowing the spy to meet other prisoners for the first time in 12 years, his lawyer said.

Avigdor Feldman, Mr. Vanunu's attorney, also said there was a possibility that Mr. Vanunu would be released next month, once he had served two-thirds of his 18-year sentence.

Mr. Vanunu, who was convicted of treason for providing information about Israel's nuclear program to the Sunday Times of London, has been held in isolation since 1986.

The former technician at Israel's nuclear reactor in Dimona handed over photographs of the inside of the plant to the newspaper.

Based on that information, nuclear experts determined that Israel had the world's sixth-largest arsenal of nuclear weapons.

Israeli security services have said Mr. Vanunu, 43, must be kept segregated from other prisoners so he cannot pass on information about Israel's nuclear program.

The attorney general and Justice Ministry officials decided to release Mr. Vanunu from isolation because they felt the security argument would not stand up before the Supreme Court, Ha'aretz newspaper reported.

Mr. Feldman also credited international pressure for the policy shift. Human rights groups and foreign leaders, including Norway's prime minister, have taken up Mr. Vanunu's case.

Dumas and the Gallic Scandal du Jour

By Charles Trueheart
Washington Post Service

WASHINGTON — France is embroiled in a growing scandal reaching the highest levels of power. Although the French affair bears little real similarity to the charges proleptically the White House, there are parallel analogies: a many-fingered, long-running judicial investigation, an Asian money factor, charges of partisan conspiracy and, of course, a femme fatale.

The leading man is Roland Dumas, 75, a swashbuckling lawyer and Socialist elder statesman. A former foreign minister and close associate of former President Francois Mitterrand, Mr. Dumas is head of the Constitutional Council, making him France's fifth-highest official.

Mr. Dumas has been called to appear before two investigating magistrates next week to answer questions about his role in the 1991 sale of six French-made warships to Taiwan. The \$3 billion purchase by Taiwan from the French armaments company Thomson-CSF had long been opposed by Mr. Dumas, who as foreign minister feared it would

poison French-Chinese relations. What interests the magistrates, Eva Joly and Laurence Vichnievsky, is whether Mr. Dumas's eventual acquiescence to the deal had to do with the subsequent payment of more than \$10 million in commissions to a close friend, Christine Deviers-Joncour.

Mrs. Deviers-Joncour, 51, who has been held on embezzlement charges and who is cooperating in the investigation, subsequently bought a \$3 million Paris apartment. Her annual salary was about \$25,000.

She was at least technically an employee of the then state-owned French oil company, Elf Aquitaine SA, whose operations in Africa and elsewhere are at the heart of the magistrates' investigation. On Monday, the two magistrates placed Elf's former chairman, Loik Le Floch-Prigent, under judicial examination — one step short of formal charges — for alleged misuse of the company's funds, reportedly those that went to secure Mrs. Deviers-Joncour's lobbying services with Mr. Dumas.

As a state-owned company, Elf's disbursements for commissions — officially

sanctioned bribes designed to grease business deals — were approved at the highest levels of the French government, according to French news reports.

The magistrates are investigating the alleged intermingling of private and public funds at Elf. Its status as a state enterprise reportedly made it a convenient nexus for bribery and embezzlement, a conduit to buy the cooperation of African governments with which Elf does much of its business, and a channel for laundered funds that eventually returned to France to finance domestic political parties.

Mr. Dumas categorically denied knowing anything about the financial arrangements between Elf and Mrs. Deviers-Joncour, whom he described in an interview with Le Figaro as "a friend with whom I had private relations."

He said he had dismissed her arguments about the Lafayette-class frigate sale and, though acquiescing in the government's decision, had never changed his mind about its wisdom.

Mr. Dumas said he had no intention of stepping down as chief of the Constitutional Council, declared that "political



Roland Dumas, a former foreign minister and Mitterrand associate.

motives" might be behind an attempt to "destroy" him, and paid a highly visible call on President Jacques Chirac, who said Mr. Dumas was entitled to the presumption of innocence. He also said that \$500 million in commissions were paid on the Thomson deal, and that he had seen a list of the recipients. The existence of such a document could have much broader implications.

BRIEFLY

UN Judge Reverses Serb Suspect's Plea

THE HAGUE — A judge at the United Nations war crimes tribunal on Friday reversed a guilty plea of rape by a Bosnian Serb because the suspect was not fully aware of the implications of his move.

The trial chamber must enter a not-guilty plea. Judge Antonio Cassese told Dragoljub Kunarac, a former paramilitary commander.

Judge Cassese's decision followed questioning in which Mr. Kunarac said he committed some illegal acts but was not responsible for widespread rape as an act of genocide. (Reuters)

Italy Seeks to Oust Mafia-Linked Aide

ROME — The government decided Friday to seek to remove Angelo Giorgianni, a junior minister at the Interior Ministry, from office over suspicion of collusion with the Mafia.

On Wednesday, Prime Minister Romano Prodi formally asked Mr. Giorgianni to resign, a request the minister refused to accept.

Mr. Giorgianni, one of five undersecretaries at the ministry, has been under fire since his name appeared in a report by a parliamentary anti-Mafia commission. (AFP)

Fox-Hunting Bill Shelved in Britain

LONDON — A last-ditch effort to secure a ban on fox-hunting failed in Parliament on Friday, consigning the anti-hunting bill to the back burner until after the next election.

The sponsor of the bill, Mike Foster of the Labour Party, added a clause to try to protect his efforts from the time-wasting tactics pro-hunting members used to prevent a vote a week ago.

But the speaker of the House of Commons did not select Mr. Foster's new clause for debate on Friday morning. (Reuters)

Kenny's Bar
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"the original"
Just tell the taxi driver, "Sank roo doe noo" @ 5, rue Daumesnil, Paris (Cite) Tel: (1) 46.71.14

TRAVEL UPDATE

Spanish Pilots Warn Of Prolonged Strike

MADRID (Reuters) — The Spanish pilots' union SEPLA threatened Friday to prolong planned strike action against Iberia Air Lines of Spain beyond July if a dispute with management was not resolved.

The union has called strikes by pilots at Iberia, Iberia's subsidiary Aviaero and the charter airline Air Europa from 8 A.M. to 1 P.M. and from 4 P.M. to 10 P.M. every Monday and Friday from next Friday through July 31.

Union officials said they had not been consulted about a plan by Iberia to use Air Europa pilots on a part-time basis to operate leased planes in its fleet.

The union said that if the dispute was not resolved by the end of July it would consider further measures.

Smoking To Be Banned On All Swissair Flights

ZURICH (Reuters) — Swissair said Friday that it was extending its no-smoking policy to its entire route network starting June 1.

"Statistics have shown that four out of five Swissair passengers, including many smokers, wish to travel in a smoke-free environment," the airline said.

A ban on smoking is already in effect on the airline's European and North Atlantic flights. British Airways announced a system-wide smoking ban Tuesday.

WEATHER

Forecast for Sunday through Tuesday, as provided by AccuWeather.

Europe	Today	Low	High	Tomorrow	Low	High
Algeria	64-72	64-72	72-80	64-72	64-72	72-80
Andorra	64-72	64-72	72-80	64-72	64-72	72-80
Armenia	64-72	64-72	72-80	64-72	64-72	72-80
Austria	64-72	64-72	72-80	64-72	64-72	72-80
Azerbaijan	64-72	64-72	72-80	64-72	64-72	72-80
Bahrain	64-72	64-72	72-80	64-72	64-72	72-80
Belarus	64-72	64-72	72-80	64-72	64-72	72-80
Belgium	64-72	64-72	72-80	64-72	64-72	72-80
Bulgaria	64-72	64-72	72-80	64-72	64-72	72-80
Croatia	64-72	64-72	72-80	64-72	64-72	72-80
Czechia	64-72	64-72	72-80	64-72	64-72	72-80
Denmark	64-72	64-72	72-80	64-72	64-72	72-80
Egypt	64-72	64-72	72-80	64-72	64-72	72-80
Finland	64-72	64-72	72-80	64-72	64-72	72-80
France	64-72	64-72	72-80	64-72	64-72	72-80
Germany	64-72	64-72	72-80	64-72	64-72	72-80
Greece	64-72	64-72	72-80	64-72	64-72	72-80
Hungary	64-72	64-72	72-80	64-72	64-72	72-80
Iceland	64-72	64-72	72-80	64-72	64-72	72-80
India	64-72	64-72	72-80	64-72	64-72	72-80
Indonesia	64-72	64-72	72-80	64-72	64-72	72-80
Iran	64-72	64-72	72-80	64-72	64-72	72-80
Ireland	64-72	64-72	72-80	64-72	64-72	72-80
Israel	64-72	64-72	72-80	64-72	64-72	72-80
Italy	64-72	64-72	72-80	64-72	64-72	72-80
Japan	64-72	64-72	72-80	64-72	64-72	72-80
Kazakhstan	64-72	64-72	72-80	64-72	64-72	72-80
Korea	64-72	64-72	72-80	64-72	64-72	72-80
Kuwait	64-72	64-72	72-80	64-72	64-72	72-80
Latvia	64-72	64-72	72-80	64-72	64-72	72-80
Lithuania	64-72	64-72	72-80	64-72	64-72	72-80
Malaysia	64-72	64-72	72-80	64-72	64-72	72-80
Maldives	64-72	64-72	72-80	64-72	64-72	72-80
Mexico	64-72	64-72	72-80	64-72	64-72	72-80
Moldova	64-72	64-72	72-80	64-72	64-72	72-80
Monaco	64-72	64-72	72-80	64-72	64-72	72-80
Mongolia	64-72	64-72	72-80	64-72	64-72	72-80
Montenegro	64-72	64-72	72-80	64-72	64-72	72-80
Netherlands	64-72	64-72	72-80	64-72	64-72	72-80
Norway	64-72	64-72	72-80	64-72	64-72	72-80
Oman	64-72	64-72	72-80	64-72	64-72	72-80
Pakistan	64-72	64-72	72-80	64-72	64-72	72-80
Panama	64-72	64-72	72-80	64-72	64-72	72-80
Paraguay	64-72	64-72	72-80	64-72	64-72	72-80
Peru	64-72	64-72	72-80	64-72	64-72	72-80
Poland	64-72	64-72	72-80	64-72	64-72	72-80
Portugal	64-72	64-72	72-80	64-72	64-72	72-80
Romania	64-72	64-72	72-80	64-72	64-72	72-80
Russia	64-72	64-72	72-80	64-72	64-72	72-80
Saudi Arabia	64-72	64-72	72-80	64-72	64-72	72-80
Senegal	64-72	64-72	72-80	64-72	64-72	72-80
Serbia	64-72	64-72	72-80	64-72	64-72	72-80
Slovakia	64-72	64-72	72-80	64-72	64-72	72-80
Slovenia	64-72	64-72	72-80	64-72	64-72	72-80
South Africa	64-72	64-72	72-80	64-72	64-72	72-80
Spain	64-72	64-72	72-80	64-72	64-72	72-80
Sweden	64-72	64-72	72-80	64-72	64-72	72-80
Switzerland	64-72	64-72	72-80	64-72	64-72	72-80
Taiwan	64-72	64-72	72-80	64-72	64-72	72

Thousands March In Kosovo, Calling For Independence

R. Jeffrey Smith
Washington Post Service

PRISTINA, Yugoslavia — Thousands of Kosovo Albanians gathered in the capital city of Pristina on Friday to demand independence for their country.

The march, which was the largest since the 1997 election, was held in the city's main square, where thousands of people gathered to demand independence for their country.

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Is Sky Really Falling? Astronomers Bicker

By Malcolm W. Browne
New York Times Service

NEW YORK — The prediction that a one-mile-wide asteroid would pass dangerously close to the Earth in the year 2028 has sparked a bitter debate about the extent of the danger.

From new data we have analyzed," said Brian Marsden, director of the world's main clearinghouse of astronomical information, "I would agree that the probability of an impact seems smaller than it did on Wednesday, but it is not zero."

The asteroid in question, called 1997 XF11, was discovered three months ago by James Scotti of the University of Arizona. Based on observations since then, Mr. Marsden announced Wednesday that the object was likely to come within 30,000 miles (48,000 kilometers) of the Earth on Oct. 26, 2028 — closer than any such object observed in the past.

Under the circumstances, there was a risk that the asteroid might hit the Earth, causing immense devastation, he said.

As head of the Central Bureau for Astronomical Telegrams at the Smithsonian Astrophysical Observatory in Cambridge, Massachusetts, Mr. Marsden is regarded as one of the world's leading experts in the motions of asteroids and comets.

But his view has been challenged by Donald Yeomans and Paul Chodas, planetary astronomers at the Jet Propulsion Laboratory in Pasadena, California.

"Working from the same observations used by Dr. Marsden," Mr. Yeomans said in an interview, "we concluded from rigorous analysis of the error ellipsoid — the region of space in which the asteroid might be during its closest approach to Earth — that this region will not encompass the Earth itself."

"Therefore," Mr. Yeomans said,

"the likelihood of the asteroid hitting the Earth is effectively zero."

Moreover, he said, the asteroid would come no closer than 54,000 miles from the Earth — much closer than other observed asteroid passes, but greater than Mr. Marsden's estimate of 30,000 miles.

Officials at the Jet Propulsion Laboratory said in a press release late Thursday that Mr. Yeomans and Mr. Chodas had recalculated their information to find that the asteroid would pass no closer than 600,000 miles away.

Mr. Marsden vehemently rejected this view. "We simply do not have sufficient knowledge of this object to be sure," he said.

Sighting Puts Universe Farther Out

By Kathy Sawyer
Washington Post Service

WASHINGTON — Astronomers have detected the most distant known object in all creation, a young galaxy that existed when the universe was only 6 percent of its present age.

The discovery, announced Thursday, stretches the reach of human perception 90 million light-years farther than it has ever extended before, to the period less than a billion years after time and space began in the explosion known as the Big Bang, scientists said.

The finding offers encouragement that the emerging generation of large, ground-based telescopes will finally be able to unveil the primeval galaxies of that epoch, when the first generations of stars formed. To penetrate this murky is a central goal of modern astrophysics.

"It's an extremely exciting discovery, since so little is known about this

stage of the universe in terms of the objects that lived there, or how galaxies — giant collections of stars — might form," said Arjun Dey, a postdoctoral fellow at Johns Hopkins University in Baltimore, who led the team that made the discovery.

As the cosmic "egg" exploded, according to Big Bang theorists, the cosmos was a smooth soup of warping subatomic particles. As it expanded, the universe cooled and somehow transformed itself into the landscape of star-filled galaxies that we see today. Just how, and when, that transformation occurred is one of cosmology's great mysteries.

"We are trying to find baby galaxies," Mr. Dey said. "These are galaxies that would eventually turn into something like the one we live in, but would be undergoing their first episode of star formation."

In other words, he said, such galaxies "are essentially collapsing from a large gas cloud and forming their first

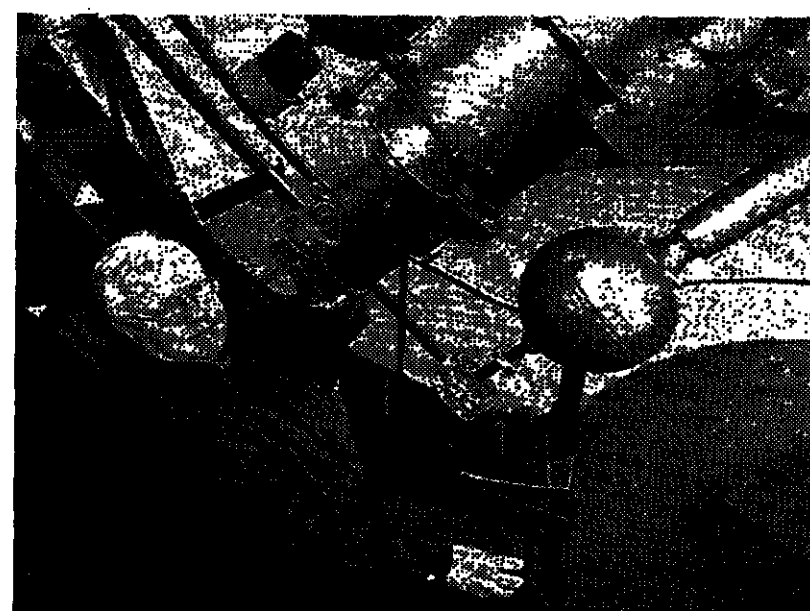
generation of stars."

Mr. Dey and others said it was not yet clear whether they had now discovered one such primeval galaxy, but this is their best candidate to date.

"We're at a watershed, in observational cosmology," said Mr. Dey, whose team used the largest optical and infrared telescopes in the world: the 10-meter Keck I and II complex atop the dormant volcano Mauna Kea in Hawaii.

Because of its great distance, and the constant speed of light, the researchers said, they see the early galaxy — known as 0140+326RD1, or RD1 for short — a relatively short 820 million years after the universe sprang into being as a uniform, expanding fireball of particles. This assumes the universe is about 13 billion years old, a figure that is the subject of continuing debate.

This means the light from the galaxy has traveled a distance of about 12.22 billion light-years.



Brian Marsden with a 19th century telescope at Harvard University.

Clinton's New Strategy: Blame the Republicans

Legislative and Lewinsky Policies Melded

By John F. Harris
Washington Post Service

WASHINGTON — If congressional Republicans stall this year in passing legislation for a comprehensive tobacco settlement, President Bill Clinton has already signaled what his response will be: He will attack them as shirkers, more interested in partisan politics than in the public interest.

And if Republican lawmakers begin to step up their muted criticism of Mr. Clinton in the Monica Lewinsky controversy, White House aides say they are ready with a response: They will attack the Republicans as shirkers, more interested in partisan politics than in the public interest.

It is a curious twist in strategy. When the Lewinsky allegations first emerged late in January, the White House line was that Mr. Clinton's legal problems and his legislative agenda were two different things, one having nothing to do with the other.

The new line, as advanced by various Clinton aides this week, is that the two things may be linked after all.

Increasingly the White House strategy is the same whether playing defense on scandal or offense on legislative battles over tobacco and health care: Use congressional Republicans as a foil.

That strategy was on display Thursday when Mr. Clinton spoke to the National Association of Attorneys General and blessed bipartisan tobacco legislation. Noting the unusually light number of working days that Congress has scheduled this year, Mr. Clinton remarked pointedly: "Most Americans have 200 days left in their work calendar this year — but the work calendar

schedule in Washington is only 68 days."

And he won a standing ovation from the state officials when he called on them to lobby lawmakers to act quickly on tobacco by referring to those youngsters who start smoking. "You have to get to the Congress and say, 'A thousand kids a day is too high a price to pay for another year's delay.'"

So far, Mr. Clinton has not spoken directly about the decisions that Republicans will have to make if, as many on Capitol Hill expect, the independent counsel, Kenneth Starr, hands over the results of his investigation of the Lewinsky matter to Congress this spring. Increasingly, though, Mr. Clinton's political aides are planning for that scenario.

The expectation, they said, is to reprise the same accuse-the-accuser strategy that has succeeded in making Mr. Starr an unpopular public figure. Aides said they had an unexpected boost for this approach in recent days, courtesy of the Senate majority leader, Trent Lott, Republican of Mississippi, who charged that the Lewinsky controversy had become a distraction to the congressional agenda.

White House aides pounced on the remark, accusing Mr. Lott of being more interested in scandal than in legislation and wondering why the matter was affecting Senate business.

"We are going to make progress on the people's business, and if they choose to marry themselves up with Ken Starr that's their business," said the White House senior adviser, Rahm Emanuel.

Still, Mr. Clinton faces a major problem in lambasting Republicans as not being genuinely interested in passing legislation: Some people in his own party have the same lack of interest.

POLITICAL NOTES

Joseph Kennedy 2d Plans to Quit Politics

BOSTON — Representative Joseph Kennedy 2d, upset about the recent death of his brother Michael, will not run for re-election and plans to leave politics, a family aide said Friday.

Mr. Kennedy, 45, is the eldest son of Robert F. Kennedy. He represents the 8th District of Massachusetts, covering much of Boston and Cambridge. The seat was once held by his uncle, John F. Kennedy.

In August, Mr. Kennedy, a six-term congressman, announced that he would not run for governor. Although he had been viewed as a heavy favorite in the race, his public standing slipped after negative publicity during the first half of 1997.

First, his former wife, Sheila Rauch Kennedy, published a book accusing him of trying to force her into agreeing to an annulment of their marriage.

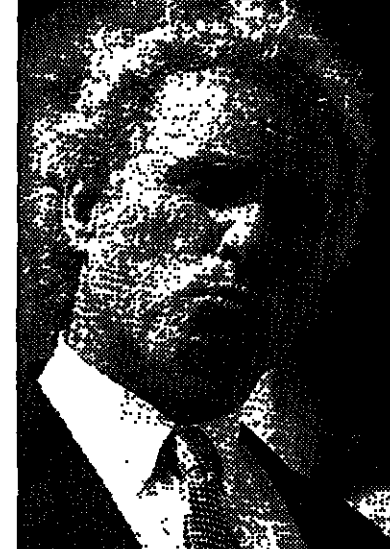
Then, his brother Michael was investigated for allegedly having sex with the family's teenage baby sister.

On July 4, one of Joseph Kennedy's twin 16-year-old sons was burned as he and the congressman lit fireworks at the family compound in Hyannis Port. Fireworks are illegal in Massachusetts. In August, John F. Kennedy Jr., Joseph and Michael's cousin, called them "poster boys for bad behavior."

Michael Kennedy, who was 39, died Dec. 31 in a skiing accident. The aide said Joseph Kennedy, a member of the House Banking & Financial Services Committee, planned to devote his time to Citizens Energy, a nonprofit heating assistance corporation he took over after Michael Kennedy's death.

Transportation Bill: Something for All

WASHINGTON — The Senate has overwhelmingly passed a \$214 billion



Representative Joseph Kennedy.

transportation bill that would be among the nation's largest public works plans ever, overcoming regional conflicts by expanding every state's pot of transit and highway funds, and creating major headaches for congressional budget balancers in the process.

The 96-to-4 vote on the six-year transportation bill came at the end of two weeks of spirited horse-trading in which virtually every senator tried to win more money for his or her state's highway, bridge, bus and rail systems. Many succeeded, pushing the total cost of the plan well beyond the strict spending limits set by last year's balanced budget agreement.

Now comes the hard part: Senate budget negotiators must begin identifying other programs for trims to offset the \$31 billion in new spending in the bill. Senate leaders declined to say where those cuts might fall.

The House faces the same quandary with its bill, which earmarks \$4 billion more than the Senate bill, as deficit hawks are resisting efforts to break the spending caps. A task force has met to try to resolve the dispute, but did not reach an agreement. (NYT)

Away From Politics

• A white teenager was sentenced in Mobile, Alabama, to 15 years in prison for burning a rural black church during a night of drunken revelry. Alan Odum, 18, was convicted last year of conspiring to burn St. Joe Baptist Church in Little River. (AP)

• A national poll conducted by The New York Times shows 61 percent of people surveyed have a generally "good image" of New York City, compared with the 43 percent who did so in 1996. About one in four people said crime was the city's main attribute in 1996, but half as many said so in the latest poll. The Times said 77 percent of those who have visited

New York in the last five years reported a good image of the city. (AP)

• Two white police officers beat and kicked an 18-year-old black youth and conspired to cover it up, the Chicago Police Board ruled in ordering the officers dismissed. (AP)

• Federal agents have shut down two major immigration fraud rings, one in Northern Virginia and the other in New York, arresting eight government officials and dozens of other alleged conspirators. Among those indicted were a special agent of the Bureau of Alcohol, Tobacco and Firearms and seven employees of the immigration service. (WP)

A Dictionary Feels Sting of Public Opinion

Washington Post Service

WASHINGTON — Prodded by the threat of a national boycott and angry correspondence from thousands of people around the United States, Merriam-Webster has assembled a task force to come up with new definitions for the word "nigger" and hundreds of other offensive words found in its collegiate dictionary.

The entry in its entirety for "nigger" in the current Merriam-Webster's Collegiate Dictionary is as follows:

"1: a black person — usually taken to be offensive" 2: a member of any dark-skinned race — usually taken to be offensive 3: a member of a socially disadvantaged class of persons (it's time for somebody to lead all of America's niggers... all the people who feel left out of the political process — Ron Dellums) "usage Nigger in senses 1 and 2 can be found in the works of such writers of the past as Joseph Conrad, Mark Twain, and Charles Dickens, but it now ranks as perhaps the most offensive and inflammatory racial slur in English. Its use by and among blacks is not always intended or taken as offensive, but, except in sense 3, it is otherwise a work expressive of racial hatred and bigotry."

Now, a campaign questioning the definition and the word's proper role in the English language has caused the dictionary publisher to take the unusual step toward redefining it.

"We are definitely looking at it very closely," said Deborah Burns, director of marketing for Merriam-Webster Inc. "It is very, very likely that there will be a change in the definitions of all offensive words."

Merriam-Webster has received thousands of phone calls, letters and e-mails from people insulted by the company's definition, Ms. Burns said. The leaders of the effort to strike or rephrase its definition say Merriam-Webster portrays the word foremost as a synonym for black people while noting that

EDITORIALS/OPINION

Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Revive Mideast Talks

The Saddam Hussein crisis is not the cause of the virtual collapse of Israeli-Palestinian peace talks. But it is an aggravating factor, something that makes it more difficult—observe Palestinian kids waving the Iraqi flag—and more urgent to put those talks back on track. Progress toward peace will serve first the parties. But it will also permit wider Arab, Israeli and American cooperation in meeting secular Iraqi challenges and broader fundamentalist ones across the region.

Israel has not convinced most Palestinians that they can reasonably expect to achieve their principal goal of statehood in a respectable territory. And it can hardly be expected to do so until Palestinians have convinced most Israelis 1) that they are prepared to bring the pressure that only they can to end the recurrent acts of terrorist brutality and 2) that at the end of the road lie decent measures of peace and security for Israel.

To state the problem is to indicate the solution. From the Israelis must

come acknowledgment of a respectable Palestinian state—when the Palestinians are prepared to make demanding special provisions for Israeli security. The Israeli government meanwhile itself temporizes, hinting at such trade-off concessions even while undercutting the hints with provocative settlements and rhetoric.

Naturally, Israel could not be expected to make new commitments unless the Palestinian Authority were showing itself ready in deeds and words (rewriting the Palestinian Charter, ceasing to tolerate and denouncing the unceasing hate speech) for neighborly relations.

The Clinton team knows the stakes but lacks a sound strategy. It has been working up small "bridging" proposals meant to get up momentum. But the situation requires high-profile breakthroughs. This negotiation can still work if Bill Clinton will take the political risks of getting out front and clearly and insistently indicating the way.

—THE WASHINGTON POST.

Nonviolence in Kosovo

Although it is violence that makes headlines in Kosovo, the remarkable thing about this province of Serbia is that for years most of its ethnic Albanians have responded to Serbian repression with nonviolent resistance. As the world follows the bombings and killings of a new Albanian guerrilla movement and Serbia's disproportionate response, the peaceful efforts of students and independent journalists deserve attention and support.

Kosovo governed itself until Slobodan Milosevic came to power in Yugoslavia in 1989. He turned the province into a police state and dismissed ethnic Albanians from their jobs. The government barred Kosovar students from entering university buildings, and introduced a new curriculum using the Serbian language and Serbian versions of history.

Today, Kosovars go to class, even to study medicine, in private living rooms, kitchens, garages and mosques. This system is financed with donations from Kosovars in exile. Mr. Milosevic signed an agreement in 1996 promising to take steps to normalize the education situation, but he has done nothing to live up to it.

Last year, the students began to protest, seeking approval to hold Al-

banian-language classes in the largely idle campus buildings. Serbian police crushed the last protest, injuring hundreds of students. The students planned another demonstration this Friday, this time a broader one against violence.

Kosovo's students, who have met with Serbian students from Belgrade, are among the leaders of the province's civil society. So are Kosovo's independent journalists, who recently formed a joint news service with Belgrade's independent B-92 radio and Beta news service. Such contacts are rare and should be expanded.

These efforts mark a path between two extreme responses to Serbian repression. The Kosovar leader, Ibrahim Rugova, opposes all protests, including the student demonstrations. The other extreme, the new and still small guerrilla army, tempts Kosovars into a violent, doomed struggle against a much stronger Serbia.

Seventy percent of Kosovars are under 30, and virtually all these younger people are jobless. Serbia's bombardment and massacres will draw more of them—especially those impatient with Mr. Rugova—into replying with arms. Active nonviolence is more important than ever.

—THE NEW YORK TIMES.

Asteroid Cinema

Those early and alarming claims that a huge asteroid might be headed for a collision with Earth undoubtedly elicited the same initial response from most readers. But once they got done calculating exactly how old they would be on Oct. 26, 2028, their reactions were more diffuse. People who are middle-aged now may have been taken with the idea of going out with a bang. American generation-Xers probably nodded grimly at yet another proof that they were never going to get to collect Social Security.

Scientists estimated the odds of the asteroid, dubbed XF11, actually hitting Earth at somewhere between very small and completely nonexistent. But in circumstances like this, nothing could be more disconcerting to a modern, media-bred Earthling than hearing a group of distinguished experts say there is no cause for alarm.

Of all the potential problems facing our planet, a hurtling asteroid is probably the one in which our store of information is most completely dependent on bad movies. We know that while the Nobel Prize winners are assuring the world that there is nothing to fear, somewhere back in the observatory an extremely attractive woman is staring at her computer and gasping.

The lessons we have learned most thoroughly from years of disaster-movie-watching are that when something bad seems to be headed our way from the heavens, 1) nations of the world must unite against a common enemy, and 2) an American must fly into space to blow the damned thing up. Sure enough, faster than you could say kilaui barada niko (the words that saved the planet in "The Day the Earth Stood Still"), a scientist from the Lunar and Planetary Laboratory was expressing hope that XF11 would help in "drawing people together."

Scientists—and politicians—also

theorized that, with enough warning of the asteroid's trajectory, military and science experts might be able to deflect it from any potential Dooomsday path by setting off an explosion in space.

Coincidentally, two big-budget asteroid films are set for release this summer, one focused on international cooperation and the other on Bruce Willis blowing things up. With Hollywood thinking this way, can the defense contractors be far behind?

—THE NEW YORK TIMES.

Other Comment

Hoping to Destroy Israel

In the two decades since President Anwar Sadat of Egypt made his famous trip to Jerusalem to address Israel's Parliament, a consensus has emerged that the Arab effort to destroy Israel is a thing of the past. Are such appraisals accurate?

Without a doubt, over recent decades the Arab disposition toward Israel has changed in significant ways. But in other quarters hatred of Israel has not ceased.

On the contrary, Arab rejectionism—the intent to destroy Israel—continues to flourish. Some rejectionist leaders speak openly of their purposes. Others talk of two stages—accepting Israel now and destroying it later, when the wheel of fate turns and Arabs are mighty once again.

Many Westerners, and some Israelis, discount the anti-Israel vitriol. But the record shows that quite a few Arab dictators show greater flexibility toward Israel than do their subjects.

—Daniel Pipes, editor of the Middle East Quarterly, speaking on Wednesday to the U.S. Senate Foreign Relations subcommittee on Near Eastern and South Asian affairs.

Nothing Less Than Serious Autonomy for Kosovo

By Jim Hoagland

WASHINGTON — The gathering rebellion against Serbian rule in Kosovo brings the political chain reaction that atomized Yugoslavia into a new yet eerily familiar stage. History should not repeat itself. Kosovo should not become a new Bosnia, despite the appalling surface similarities.

Once again the Serbs grimly position themselves as the villains and the ultimate losers of a bloody conflict that does not have to happen. Once again the United States and its allies risk taking diverging paths in a conflict that strikes at European stability. Once again the potential for miscalculation by all parties is enormous.

This month's brutal repression by Serbian police of the ethnic Albanians in Kosovo, where at least 77 people have died, resumes Slobodan Milosevic's march toward a Lesser Serbia.

Mr. Milosevic and his surrogates have lost nationalist wars against Slovenia, Croatia and Bosnia. Now atomization strikes into Serbia itself, as 1.8 million Kosovars chafe under the discrimination and hardships that the 180,000 ruling Serbs, backed by the national army, inflict on the province. Those are not winning odds for the Serbs.

By refusing to grant the Kosovars serious autonomy in a self-governing republic within Serbia, Belgrade pushes them into rebellion for full independence. Instead of the Greater Ser-

bia that Mr. Milosevic vowed to build out of the wreckage of Yugoslavia, the Serbian ruler condemns his people to new territorial amputation if he does not radically alter course.

He can make the Muslim Kosovars and their ethnic allies in neighboring Macedonia and Albania pay in blood and stability. He can plunge the Balkans back into the flames of war that

Cease paying tribute to territorial integrity maintained by brute force.

the Dayton peace accord extinguished in Bosnia. But he cannot defy demographic laws of gravity.

The myopia that must not be repeated extends far beyond Belgrade.

In 1990 and 1991, Washington lost much of its considerable ability to influence the course of Yugoslavia's breakup by clinging to the fiction that Yugoslavia could and must survive as one unified state, long after that outcome ceased to be an option. Today, Washington aggressively supports Ser-

bia's territorial integrity just as strongly as it supported Yugoslavia's, while criticizing the repression required to maintain Serbia's survival in existing boundaries.

Such cautious, balanced abstractions cancel each other in the grim world of the Balkans, and in the Third World.

Washington should cease paying tribute to territorial integrity maintained by brute force, whether that force is exercised in Serbia, Iraq, Indonesia or China. The United States should stop opposing in word and deed the aspirations of Kosovars, Kurds, Timorese or Tibetans willing to fight oppression visited on them by other dominant ethnic groups who have a monopoly on firepower and organized violence.

Such generalizations rooted in broad principles make diplomats nervous. But in Kosovo right now, U.S. statements and actions should make clear that America does not put the shibboleth of territorial integrity (of a self-splitting entity) above human and civic rights.

U.S. pressure would contribute to the Serbs doing what they need to do: open unrestricted negotiations with the Kosovars on the territory's future. The current upheaval is likely to be Mr. Milosevic's last best chance to get the Kosovars to join open-ended talks formally insisting on independence and then to persuade them, through negotiation, to settle for real autonomy.

The first Serbian offer on Thursday for talks on Kosovo was sprung without warning or consultation with any Kosovar activist. It did not pass the test of seriousness or sincerity.

The European countries that have generally supported Serbia's overreaching nationalism in the wars of ex-Yugoslavia (I have Russia, Britain and France in mind) must also recognize that the Serbs face fresh disaster over a long run that is not very long.

These powers should join Washington in emphasizing to the Serbs that clinging to historic but outmoded, and exploitative, concepts of territorial integrity is the surest route to national oblivion in the era of globalization.

Big government in the form of nation-state superstructures like the Soviet Union and Yugoslavia, and big racial ideology in the form of pan-Slavism and pan-Arabism, have been tossed on history's ash heap in this decade. It is a time when the center does not hold, when atomization is the dominant force in international politics.

Territorial integrity maintained by brute force is not only unjust in the modern world. It is also inefficient and ultimately untenable. World business knows this. How long will it take the politicians and diplomats in Belgrade, and Washington, to discover the obvious in Kosovo?

The Washington Post.

The Threat Presented by Saddam Is Much Exaggerated

By Martin van Creveld

JERUSALEM — Now that the Iraq crisis appears to be over, we can see it for what it truly was. In my view, the threat that Saddam Hussein presents today has been vastly exaggerated both in the United States and here in Israel.

With his military force still weakened by the 1991 Gulf War and his economy crippled by seven years of sanctions, the Iraqi president is incapable of mounting a serious assault on anyone by air, land or sea.

It is hard to know precisely what the economic situation in Iraq is today; the country's economic data have long been considered a state secret. But in 1990, the last year for which reliable estimates exist, the International Institute of Strategic Studies in London suggested that Iraq, with its 18 million people, had a gross domestic product that was equal to between 1 and 2 percent of that of the United States.

Since then the country has lost a major war, endured a series of vicious civil wars in which thousands (and possibly tens of thousands) were killed.

lost control over much of its northern territory and been subject to sanctions that deprived it of approximately two-thirds of its major source of hard currency, oil. Short of some hidden miracle, the Iraqi economy must certainly have fallen to a small fraction of its former size.

What is more, Iraq has never had any major arms-producing industries, and because it is almost entirely surrounded by hostile countries it is unlikely to have received significant amounts of arms from elsewhere. It is a Third World country without a highly developed technological or manufacturing infrastructure. (Who remembers ever buying anything, apart from dried dates, with the label "Product of Iraq" on it?)

As the Gulf War demonstrated, Iraq did succeed in assembling a primitive version of a 1950s-vintage Soviet medium-range missile. But the attempts to extend the Scud's range were so inept that the missiles fired at Israel in 1991 often disintegrated in midair.

Even at the peak of his power in 1990, Saddam Hussein's engineers could not build major weapon systems such as aircraft, artillery pieces or tanks, let alone develop the sophisticated electronics necessary to guide the weapons they carried to their targets.

And now, faced with a shortage of spare parts (which his country, without a large automotive or electronics industry, cannot produce), Saddam Hussein is probably incapable of carrying out any large-scale military ground movements.

That would require putting into working order the 3,000 or so vehicles needed to move a modern armored division.

Even if he could muster his troops, it is highly unlikely that his air defense system, which was all but destroyed in 1991, has been rebuilt enough to protect their movements against the kind of air attack that the United States could direct against them.

As for Saddam Hussein's vaunted "weapons of mass de-

struction" and the infrastructure needed to produce them, they are less of a threat than they have been made out to be—and bombing would not have done away with them, anyway.

As some of America's leading scientists confirmed for me two weeks ago, the sort of biological and chemical weapons that Saddam Hussein is thought to have developed can be produced by any university laboratory, and with very limited means. Even if, by some miracle, the last germ-bearing vial in the last Iraqi laboratory could be targeted and blown up, or be dismantled by UN Special Commission inspectors, the vial's contents could be quickly recreated.

Of course, the missiles that deliver chemical and biological weapons are harder to produce.

But after seven years of the UN's economic sanctions, it is hard to believe that Saddam Hussein still has many left—or that he possesses the command-and-control infrastructure needed to launch more than a handful of them at one time.

More important still, the grouping of chemical and biological weapons together with nuclear weapons under the common rubric of "mass destruction" is misleading for the following reasons: As the bombings of Hiroshima and Nagasaki so spectacularly demonstrated, nuclear weapons are capable of destroying entire cities—even countries—in a matter of seconds; by contrast, chemical and biological weapons, however horrible they may be, allow their targets hours or even days in which to act and react.

In that time, cities can be evacuated, affected areas decontaminated, and those people who have fallen ill can be treated with medicines and antidotes. Many may die, but the society and its infrastructure will survive. A whole arsenal of chemical and bacteriological weapons is no match for even the least powerful of America's 10,000 nuclear weapons—and it is not even clear that Iraq has many.

Indeed, one argument for Saddam Hussein's reluctance to allow inspections has been that he has so few weapons left that he does not want to reveal his weakness.

The United States' main Arab allies, such as Saudi Arabia and Egypt, seem to realize that Saddam Hussein presents a minimal threat to his neighbors, let alone to more distant countries. With the exception of Kuwait, which obviously felt obliged to follow the call, they

refused to join in the recent crusade against Iraq.

Yet, senior U.S. policymakers seemed intent on magnifying the Iraqi threat. And Israel followed suit, partly because it wants to side with the United States, partly because it hopes to obtain additional free or discounted military equipment, and partly because Israeli Prime Minister Benjamin Netanyahu wants to postpone for as long as possible additional withdrawals from the West Bank.

And the threat seems particularly overblown considering the arsenal in Israel's hands. Saddam Hussein must realize that the first chemical or biological warhead launched against Tel Aviv would almost certainly be the last.

While it is hard to understand the motivation behind the United States' belligerence, there is a larger and more positive lesson to be drawn from the crisis.

Ever since 1946, when first the Nuremberg trials and then the UN Charter identified conducting "aggressive" war as a crime, states have been losing their previously undisputed right to use force against their neighbors.

President Bill Clinton's wrangling with the UN Security Council and its emissary, Secretary-General Kofi Annan, brings to mind the way in which medieval rulers once required the Pope's consent before going to war; until about A.D. 1300, a wage war without the pope's blessing was to pay a heavy political price. Now, at the end of the millennium, even the world's sole remaining superpower finds it extraordinarily difficult to go to war without first obtaining the sanction of international law.

Thus the recent crisis may be remembered, if at all, as one more stepping-stone toward delegitimizing war between nations. Considering the havoc that wars have wrought on the world during the first half of the 20th century, that is not such a bad thing at all.

The writer, a military historian at Hebrew University in Jerusalem, contributed this column to The Washington Post.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

American Mischief in Italy?

By William Pfaff

PARIS — Last month the CIA, after 36 years, reluctantly released the report of its inspector general's inquiry into the Bay of Pigs fiasco, in which nearly 1,500 Cuban opponents of Fidel Castro were killed during a CIA-sponsored invasion that the CIA leadership no longer believed could succeed.

This account of incompetence, bureaucratic obscurantism and the triumph of "commitment" over common sense has proved no obstacle to the Senate Republican majority leadership's decision last week to try to force the Clinton administration into over-the-top Saddam Hussein.

Trent Lott of Mississippi, the majority leader, and other Republican senators have amended the State Department authorization bill so as to promote still another "secret" campaign against the Iraqi leader.

Faith in clandestine action survives in Washington despite a record of failures—or successes with deplorable consequences, as in Guatemala and Cambodia—that goes back even beyond the Bay of Pigs and includes certain morally disastrous episodes only now being revealed.

American responsibility in certain acts of terrorism in Italy in the 1960s and 1970s meant to overturn Italian democracy has been under examination by Italian justice.

Little has so far been reported about this in the United States. However, it deserves attention as not only a secret operation which failed, with bad consequences for everyone involved, but because of what it represented in terms of American political morality.

In December 1969, the Banca Nazionale dell'Agricoltura in Milan was blown up by a terrorist bomb. Sixteen people were killed and many others were injured. It was the first in a series of anonymous terrorist acts in Italy apparently committed by right-wing extremists.

These outrages anticipated the terrorism of the left which began not long after. Together they provided the political

drama of the 1970s in Italy—its "years of lead," during which right and left effectively cooperated in trying to destroy Italian democracy.

What has not been known until now is that the United States had a part in that effort.

In 1968, the Communist Party had done exceptionally well in the general elections, and young people in Italy, as in France and the United States, were in an uproar about the Vietnam War. East-West tensions were high because of the Warsaw Pact invasion of

The Americans knew in advance about a 1969 Milan bombing.

Czechoslovakia to put down the peaceful uprising there that had claimed to represent "socialism with a human face."

At the same time, certain leaders of the Christian Democratic Party in Italy, including former Prime Minister Aldo Moro (later murdered by leftist terrorists), were contemplating a political "opening to the left" that would allow the Communists, Italy's second largest party, a greater role in the country's affairs.

According to the investigations of the Milan magistrate charged with investigating the Banca dell'Agricoltura bombing, that act and the terrorist outrages which followed were meant to provoke a military coup d'état in Rome to prevent that move to the left. His evidence indicates that American intelligence officers supported, if they did not instigate, those bombings.

The magistrate, Guido Salvini, says that "the Americans knew in advance about this and other bombings of the period, and they actively supported a strategy of tension designed to destabilize the state and create the conditions for a military coup."

(In April 1967, a military coup had taken place in

Greece, with American acquiescence and tacit approval.)

Italian state television has also investigated the 1969 Milan bombing, and has broadcast a two-part documentary report of its findings. In the programs, former CIA officials, as well as survivors of the neofascist Italian political groups implicated in the Milan bombing, discuss the campaign and acknowledge American involvement.

These two programs were rebroadcast last month on the French-German television channel Arte, which is part of the public broadcasting system in France and is a public-sponsored cable channel in Germany and Belgium.

The charges have had wide circulation in the West European press but have not, so far as I know, had a comprehensive official response from the U.S. government.

It would appear from the television journalists' investigation that U.S. military intelligence, probably naval intelligence (the U.S. military command in Italy is naval), was responsible for the American involvement in the affair.

Given the bureaucratic rivalry and noncommunication between the CIA and military agencies, that seems plausible, even though it would constitute an extraordinary intrusion by military intelligence into political matters outside its competence.

Mr. Salvini has said simply that "foreign citizens" may be among those indicted.

There was, of course, no coup d'état. The Christian Democratic prime minister, Mario Rumor, defied those in his party who wanted a coup. President Giuseppe Saragat threatened to resign rather than preside over "the liquidation of democracy" in Italy.

The "strategy of tension" merely killed or mutilated a number of ordinary Italians. Its actual political effect was to reinforce the left, including the emerging terrorist left—equally hostile to democracy. It is a story worth more American attention, and reflection, than has so far been given.

International Herald Tribune
Los Angeles Times Syndicate.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: Explosion Report

MADRID — The *Imparcial* states that the Government is hourly expecting the report of the Spanish Commission of Inquiry into the Maine disaster. The report maintains the opinion already expressed that the explosion was due to accident. The *Imparcial* adds: "Although the American Commission may report otherwise, the report of the Spanish Commission will be maintained with energy by our government." Spain will not provoke war, but if she is driven to war she will not stand alone.

1948: Arabs Killed

JERUSALEM — Twelve Arabs were killed and twenty injured today [March 13] when a party of about fifty Jews attacked Al Husseinia, a village near the Syrian frontier in north Palestine. Details of the fight were scarce, but a government report said several buildings were blown up. Police and soldiers entered the town later and detonated grenades and a knap sack of explosives left behind by the Jewish force. With violence increasing in the area, the army also imposed a curfew.

1923: After Lenin

PARIS — [The Herald says in an Editorial] No one can forecast what will be the effect upon the Soviet State of the death of Lenin. Little is known of the kind of popularity he had since he compromised the extreme policies of the Bolsheviks. There remain

those Bolshevik leaders who have written their names as masters of inhumanity in letters of equal horror on the scroll of time. The awe or fear of Lenin will no longer be upon them, in their hands—unless the people show a fixed determination to free—rests the immediate future of "Holy Russia."

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British Mona

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British Monarchy Changing Its Ways (Or Merely Flying Kites?)

By Sarah Lyall
New York Times Service

LONDON — When they saw how angry the public was after the death of Diana, the Princess of Wales, members of the British royal family realized with an altogether unpleasant jolt that their own behavior was at issue. All of a sudden, they were out of touch. They were unloved. They were Stoics in the age of Oprah Winfrey.

But if it was humiliating enough being hauled onto television and forced to make public statements against her very nature, as Queen Elizabeth was during what Britons now call "Diana Week," worse was to come.

A series of focus groups commissioned for the royals last fall by the polling company Mori revealed that many Britons could have told them for nothing: they were a complete disaster when it comes to public relations.

But why should the royal family care that a bunch of people in a bunch of conference rooms thought that, according to newspaper accounts of Mori's confidential report, they were "wasteful," known for their "conspicuous con-

sumption" and "extravagant lifestyle?" And why should they care, in the words of the royal reporter Anthony Holden, that they were thought to be "arrogant, aloof, and spoiled — and there were too many of them?"

The answer is that, however slowly, however creakily, and however reluctantly, the monarchy thinks that it is time to change, or, at the very least, to be perceived as changing.

"The royals seem to have caught the contagion that has spread out of America to all of our politicians, that success depends upon image management," Michael Kelly wrote in *The Scotsman*.

Such a view contributed, of course, to the queen's recent decision to support changing the laws of royal succession so that first-born daughters, as well as first-born sons, could inherit the throne. And such a view contributed to her decision, in a break with hundreds of years of royal tradition, to order that the Union Jack fly above Buckingham Palace.

"The catalyst for that change was the death of the Princess of Wales," said a spokesman for Buckingham Palace,

whose laconic explanation hardly did justice to the full impact of Diana's death. The royal family was "in a bit of a flap," he said. "The new flag policy and the new suc-

cession policy may well be only the first in a series of changes, according to veteran royal-watchers and to carefully controlled leaks trickling from the palace. A number of senior royals, known — to the press, at least — as the Way Forward Group, have been meeting from time to time to discuss further changes to protocol, tradition, and behavior.

These range from the titular, stripping most satellite family members of the title "Royal Highness" — which is currently enjoyed even by distant cousins and in-laws; to the ceremonial, rescind-

ing family members' right to sit in the House of Lords, which they seem never to do, anyway — to the practical, decreeing that people who meet the royals no longer need to curtsy or bow.

Other suggestions include turning Kensington Palace, currently the rent-free home of a number of royals, into a museum to house the royal art collection, and cutting back on the pomp and ceremony surrounding the annual state opening of Parliament.

Such changes are being treated as potentially seismic shifts in royal behavior, even though Buckingham Palace tends to play them down.

"As in any other organization, all sorts of meetings take place from time to time," said a palace spokesman. "The flying of the Union flag at the palace came out of that kind of meeting."

So did the decision to organize focus groups, the spokesman added, saying that the palace had always tried to keep up with the times.

Some newspapers also have reported that the queen has decided to hire her very own mega-publicist — at

a salary of about \$240,000 a year.

"The new professional media guru will have the title of director of communications," reported *The Sunday Times of London*. "He or she will be expected to develop a communications strategy, commission opinion research, and insure that important members of the royal household know 'the line to take' on big news stories."

The palace spokesman shrugged at the very idea of an American-style public relations campaign, but she did not deny that there were plans to hire someone.

"There certainly won't be a spin doctor," she said.

Will the potential changes make any difference?

Critics of royal behavior, like Mr. Holden, say they will not.

"The monarchy is using its traditional tactics of flying kites to see how the public reacts," he said. "But the things that have been mentioned are incredibly superficial window-dressing, not in any way a reform of the monarchy."

Other Britons, supported by such tradition-minded newspapers as *The Daily Telegraph*, say that they prefer the status quo, thank you very much.

BRIEFLY

Indian President Opens Wide Talks

NEW DELHI — President K.R. Narayanan of India opened talks with major political groups Friday in an attempt to put together a stable government after Hindu nationalist claims were weakened by a recalcitrant ally.

Mr. Narayanan separately met leaders of the Congress (I) Party and the 15-party United Front as India waited to end weeks of political uncertainty.

The Hindu nationalist Bharatiya Janata Party and its allies, which won the largest number of seats in Parliament's lower house, were struggling to hold together their coalition after a key southern ally set tough conditions for its support.

A Bharatiya Janata Party spokesman, Venkaiah Naidu, said that none of the party's rivals could provide a stable government and hinted at another election as the only option to break the stalemate.

"We are the largest bloc in Parliament today and we are short of a majority, and if we are not able to provide a stable government, then no one else will be able to provide a stable government," Mr. Naidu said. (Reuters)

Nuclear Waste Ship Unloads in Japan

TOKYO — A northern governor permitted a ship carrying 30 tons of nuclear waste to unload its cargo Friday, ending a four-day standoff after the prime minister promised to find another site to dump such waste.

Governor Morio Kimura allowed the Pacific Swan, completing a two-month journey from France, to dock after Prime Minister Ryutaro Hashimoto offered assurances that the waste would be moved from the seaside village of Rokkasho.

Mr. Kimura first allowed the ship to enter port so its 26 crew members could rest and escape rough seas. After meeting with Mr. Hashimoto in Tokyo on Friday, Mr. Kimura gave the go-ahead for the British-flagged ship to unload its cargo.

"I am very satisfied," Mr. Kimura said after meeting Mr. Hashimoto, who promised to work closely with the local government in the future. (AP)

Students Delaying Indonesian Protest

SURABAYA, Indonesia — Students called off demonstrations in Surabaya on Friday after four were injured in a clash with the police the day before, but vowed to resume their protests next week.

Thousands of students in major cities have staged rallies in recent weeks against President Suharto, who was re-elected for a seventh five-year term on Tuesday.

The military issued a strong warning in Jakarta on Thursday, telling students not to let their demonstrations get out of hand.

Police in Yogyakarta said, meanwhile, that they were talking to officials at Gajah Mada University to find students responsible for burning Mr. Suharto in effigy. (Reuters)

Protest in Auckland Over Power Cuts

AUCKLAND, New Zealand — Business owners and downtown apartment dwellers enraged by a three-week power crisis led a protest march Friday to demand that the board of the city's electric company resign.

Powered by generators parked throughout the 120 blocks affected by the electricity shortage, the central city this week has been getting about half the power it usually requires.

But the exodus of office workers to the suburbs or other cities with reliable power has pushed down energy demand, and there have been only brief blackouts since Monday.

Only about 5,000 of Auckland's 1.2 million people live in the downtown blocks affected by the power shortage. (AP)

banking bailout. But many still acknowledge growing problems.

"Business sentiment at companies is worsening, and personal consumption remains stagnant," a Koji Tanami, a deputy finance minister, said this week. "I think the economy is now at a standstill and the situation is getting more severe."

Senior officials of the governing Liberal Democratic Party said last weekend that they were working on a \$77.5 billion public-works and tax-cut package, but analysts said that the proposals being floated appeared to be insufficient. U.S. officials, meanwhile, have been pushing for bigger tax cuts.

Many American analysts are advocating massive deregulation and restructuring, but the Asahi Shimbun reported Friday that the government was heading in the other direction. To force the Nikkei Stock Average above 18,000 on March 31, when the fiscal year ends, the government plans to inject more than \$10 billion into the stock market, according to the newspaper report. The effort is an attempt to improve the financial reports of ailing companies that own a lot of stock. While the Nikkei surged 3 percent, to 17,060.14 on Friday, analysts said investors were jumping on for the ride up and would probably dump issues after April 1.

Panel Opposes Amnesties in South Africa

Agence France-Presse

CAPE TOWN — The Truth and Reconciliation Commission said Friday that it had asked the high court here to overturn blanket amnesties granted to Deputy President Thabo Mbeki and 36 high-ranking members of the governing African National Congress.

The commission wants to reconsider the measures granted by its amnesty committee last year. Deputy Chairman Alex Boraine said at a news conference.

The move by the panel, which is investigating human-rights violations committed during the apartheid era, comes a day after the opposition National Party started its own court action against the blanket amnesties, saying they were granted without full disclosure of the acts involved.

The amnesties drew intense fire from other political parties, which claimed the amnesty committee was biased.

The committee, which is independent from the rest of the Truth Commission, can grant amnesty for rights abuses on all sides provided full disclosure is made and applicants prove a political motive.

The panel had decided in January to ask the high court "to ascertain whether or not the decision made by the amnesty committee conformed with our governing act."

Archbishop Desmond Tutu, chairman of the commission, said in a statement Friday that it had delayed its court application as it had been negotiating with the African National Congress for consent to serve the court papers on one lawyer's firm rather than on 37 individuals.

Archbishop Tutu said in court papers Friday the amnesties could be invalid by virtue of at least four irregularities, including that specific offenses for which amnesty had been granted had not been identified.

The commission hoped the National Party would withdraw its application to have the amnesties declared invalid now that the panel had filed its own application, Mr. Boraine said.

But the National Party said in a statement Friday that it would not "easily withdraw" its application as "the danger exists" that the commission could at any moment settle the matter on terms much weaker than the relief they are apparently seeking from the court.



SUSPICIOUS OBJECTS — An Israeli demolitions expert examining a bagel stand Friday after a bomb injured four Palestinians in Jerusalem. Later, seven Palestinians were wounded by soldiers in Hebron.

CHINA: U.S. Confronts Beijing on Aid to Iran's Nuclear Program

Continued from Page 1

Spokesmen for the administration, which sought initially to prevent public disclosure of the affair, later portrayed it as a success story because China broke with past patterns by responding swiftly to the U.S. protest and halting the deal.

Some skeptics of Chinese bona fides, including several Republican members of Congress briefed in closed hearings Thursday and last month, said the episode suggested a Chinese effort to feign compliance with arms control agreements while proceeding covertly with nuclear assistance to Iran.

The U.S.-China nuclear energy agreement was the centerpiece of the October summit meeting and of the Clinton administration's strategic overture to the world's most populous nation. To proceed with it Mr. Clinton certified to Congress, in a report and classified appendix dated Jan. 12, that China "is not assisting and will not assist any non-nuclear-weapon state, either directly or

indirectly, in acquiring nuclear explosive devices or the material and components for such devices."

That month, according to sources, the National Security Agency intercepted at least two communications between a senior Iranian official in Isfahan and mid-level Chinese counterparts in Beijing. Initiated by Iran, the negotiations involved millions of dollars worth of anhydrous hydrogen fluoride, enough to provide what one official called "a lifelong supply" for a planned facility to convert uranium to the highly enriched form required for nuclear weapons.

Especially disturbing to some American analysts, the talks included references to a cover story and to falsified "end user" documents to conceal the fact that the purchaser would be one of Iran's leading nuclear institutes.

After weeks of internal debate, the Clinton administration decided to confront Beijing. In early February, the national security adviser, Samuel Berger, sent a formal letter, known as a de-

manche, to Liu Huaqing, the Foreign Ministry's representative on the ruling State Council and Mr. Berger's counterpart.

To drive home the message, the State Department and National Security Council's top counterproliferation officials, Robert Einhorn and Gary Samore, summoned the acting Chinese ambassador, Zhou Wenzhong. They noted that China Nuclear Energy Industry Corp., which was negotiating with Iran, is the state-run nuclear power company.

Initially, Chinese authorities replied that anhydrous hydrogen fluoride appears on neither of two lists of controlled nuclear substances maintained by international arms control authorities, though it is restricted by many industrial countries because it is a chemical weapons precursor to the nerve agent Sarin.

But within two weeks, according to senior administration officials, high-ranking Chinese officials in Beijing assured Washington that the chemical sale would not proceed.

North Korea Is Said To Mobilize for War

The Associated Press

BEIJING — Accusing the outside world of plotting against it, North Korea said Friday that it had begun a "wartime mobilization" to defend itself against a military buildup by South Korea.

"The whole nation goes into a wartime mobilization state," said a North Korean government statement distributed to foreign diplomats and aid workers in the capital, Pyongyang. North Koreans scurried into underground air-raid shelters as sirens wailed Friday across Pyongyang, a Western diplomat said.

The North Korean announcement, which South Korea immediately played down, came as the rival Koreas, together with the United States and China, prepared for the resumption Monday of four-way talks intended to bring peace to the Korean Peninsula. The North said that the talks "might be a smoke screen aimed at attacking us."

KOREA: Kim Grants Amnesty to Millions

Continued from Page 1

prisoners was that they had to be over 70, and that Mr. Woo "is still 70."

Koreans add a year to the age at birth, so Mr. Woo's age could be counted as either 69 by Western standards or 70 by Korean custom.

Another political prisoner, Shin In Young, 68, who also refused to renounce communism but is suffering from leukemia, staggered into the arms of his 91-year-old mother as he walked out of prison in Taegon, 125 kilometers south of Seoul.

"My mother took care of me for 31 years while I was in prison," said Mr. Shin, who served for three years in the

JAPAN: Asia's Economic Engine Sputters

Continued from Page 1

flation, and it's something we have not seen in a long time."

"No major economy has suffered this kind of thing — where you have all three factors dropping at the same time — since the mid-30s," Mr. Jones added.

Japan's quickening economic woes come as bankruptcies and unemployment are rising in countries such as Indonesia, South Korea and Thailand. These countries are fighting the threat of social unrest and severe recession.

Japan's economy is as big as that of the United Kingdom, France, Italy and Canada combined, and if it were growing, it could absorb more exports from the other all-time economies in Asia. Instead, Japan's economy has been contracting amid tight fiscal policies and an insistence on protecting uncompetitive industries, and Tokyo has failed to respond quickly to the regional slowdown.

If Japan's economy worsens, it could send the yen much lower. Some analysts are already predicting the dollar could hit 140 yen in a few months. The dollar finished at 128.90 yen Friday in Tokyo.

KOREA: Kim Grants Amnesty to Millions

Continued from Page 1

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"My mother took care of me for 31 years while I was in prison," said Mr. Shin, who served for three years in the



ARMENIANS TO VOTE — A resident of Yerevan, capital of Armenia, reading a leaflet Friday for the presidential election Monday. Control of Nagorno-Karabakh, an ethnic-Armenian enclave within Azerbaijan, is one of the major issues in the election.

A Porcelain Extravaganza, From the Man Without a Face

By Souren Melikian
International Herald Tribune

LONDON — "He was an ordinary man," they all said when asked about William A. Gurling, whose 600 pieces of English porcelain were sold Tuesday at Sotheby's. No one in the auction house knew him, even by name. For once, the marketing people, always keen to sing a collector's praises, could not find anyone who had met him.

No one ever did. No one, that is, with the right accent, the right public school background, the right clothes. Gurling, a former head of the porcelain department in the catalogue's preface, was a "working class" man.

"He was not a joiner. He did not belong to the E.C.C. [the English Ceramic Circle] or any antiques society," Little wonder — an icy stare would have greeted his application. I questioned former curators of the Victoria and Albert Museum to which Gurling paid frequent visits. They had never set eyes on him either. "William who?"

But this week, the room was filled with eminent people who had come from all over Britain to attend the sale of the collection formed by the man whom no-one ever met, the largest sale of its kind in five years.

One can surmise how Gurling became alerted to the porcelain-maker's art. His mother was employed at Doulton's, the porcelain manufacturer. As a child, he must have heard tales of artistic prowess; perhaps he went to see his mother at work. He certainly became passionately involved.

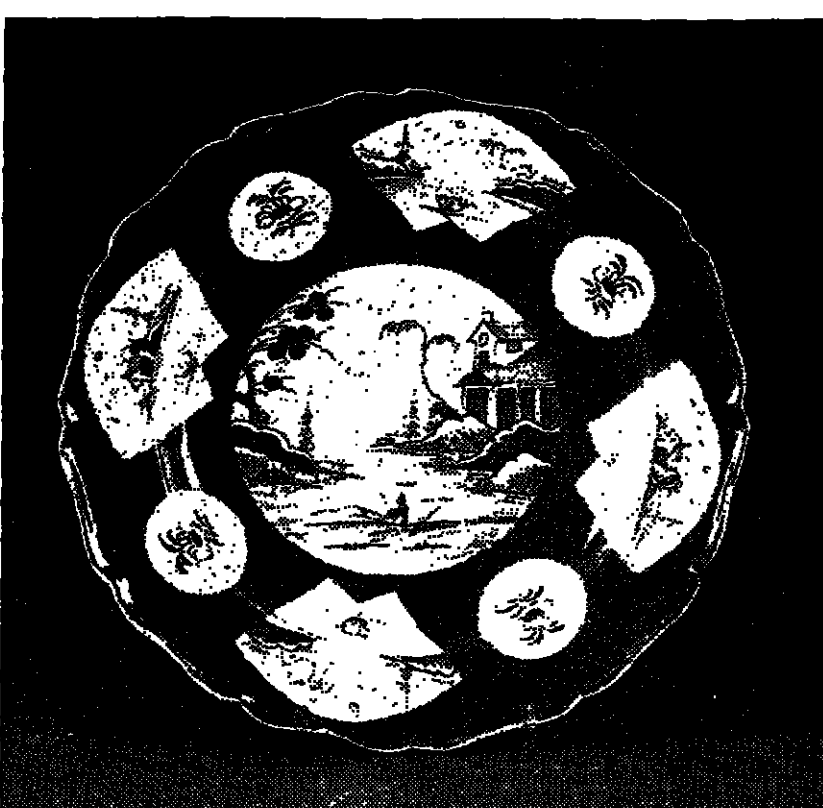
If the card index in which he kept a record of all the pieces he bought is anything to go by, Gurling acquired most of them between 1953 and 1968 on Portobello Road, from a very few shops

in London and a few more in the Home Counties. Those were simple days when you could walk into a shop, inquire about a piece and leave with the object wrapped up if you had the cash ready. No invoice was requested by the buyer, no question asked from him — both would have seemed indiscreet.

Gurling was guided solely by his inspiration, and yet, somehow, he was imbued with the spirit of the time. Where someone attracted to 18th-century porcelain would sharpen the focus today, concentrating, perhaps, on one or two factories, or on a given type of vessel, Gurling took an encyclopedic approach. He wanted every type he could find from every manufacturer he knew.

Running through the slim catalogue — cleverly devised with hundreds of small illustrations by Christina Donaldson of the porcelain department — one can follow the avatars of the English cream jug from its Worcester incarnation circa 1770 (sold for £460, about \$765), to its Liverpool version from the Chaffers factory (£333.50) and to quite a few more. A bewildering range of patterns is illustrated, from the exquisite sprays painted on a pair of tea bowls and saucers produced by the Caughley manufacture, around 1785 (£322), to the half-roses borrowed from Japan by Worcester designers around 1770 (£276).

A DISTINCT taste emerges from his many choices. The collector loved the English interpretation of the Meissen floral taste. His Bristol, Worcester, Chelsea plates, saucers or jugs offered a charming sampling of it, with greater freedom and a more marked slant toward naturalism that characterized the English versus the German production. Charming pieces, if not rare ones, were to be seen in this line Tuesday.



A Worcester plate of the Gurling collection sold for £322 at Sotheby's.

A Chelsea saucer dish painted around 1755 went for £139, and a ravishing Worcester cream jug, "probably decorated outside the factory, possibly by James Giles," cost £322. For an "ordinary man," Gurling had patrician inclinations. He stayed away from anything excessive or showy. Among his many pieces decorated with Chinamen,

some had a lighthearted touch of fun; none were grotesque. When going after black transfer-printed pieces — decorated after prints by using the so-called transfer technique — he left out any of those that might be seen as outrageous. "It was a collection remarkably bereft of rarities," the connoisseur dealer Simon Spero unflatteringly observed

after the sale. But nothing could have been further removed from the collector's concerns.

Gurling sought elegance, not academic curiosity. It was probably for the sake of the daintiness of the flower spray in the Chinese taste painted across the gadroons of a Worcester coffee cup around 1754 or 1755 that Gurling acquired it. This one, as it happens, was rare. Its match is preserved in a famous U.S. collection published by Spero and John Sandon in "Worcester Porcelain 1751-1790, the Zoresky Collection." On Tuesday, fans ran Gurling's cup up to £1,450.

Another rarity must have appealed to the collector for the subtlety of its brown tones, used instead of the black common in transfer-printed patterns. The Worcester coffee cup, decorated with a scene called "Fortune Teller No. 2," after Robert Hancock, climbed to £1,150 — only one other piece is known.

Could Gurling have bought those few rarities without knowing it? Hardly. With his experience, he would have been aware of their unusual appearance. Important discoveries have been made lately concerning the history of English porcelain. Some are represented as if he had sensed something. He bought a saucer that looked like — and was catalogued as — a Lowestoft piece made around 1780. But it is not.

The porcelain fragments, or "sherds," excavated in the last two years on the site of a factory at Isleworth in Middlesex have that same tone of blue, that quality of glaze, even such details of shape as the thumb rest on the handle that rises and curls back. After taking a closer look at pieces previously described as Derby or Lowestoft, connoisseurs now assign them to Isleworth. A groundbreaking show of Isleworth

wares, the first ever, put together by Roderick Jellicoe and Anton Gabzewicz at 114 Kensington Church Street, can be seen until March 28. The Gurling collection included a saucer boat that falls within this group. Identified by several connoisseur-dealers who drew Sotheby's attention to its true origin, the saucerboat sold as Isleworth porcelain (a first in auction annals), doubled expectations at £1,322.

ANOTHER startling discovery was made a couple of years ago. What passed for the early production of Longton Hall in Staffordshire was made hundreds of miles further north at West Pans in Scotland. William Little, who owned Longton Hall, set up the manufacture around 1764 and kept it going for 13 years. Gurling somehow found a blue and white saucerboat from West Pans. Damaged, it still made £241.50.

Spero, who just opened in his gallery at 109 Kensington Church Street a loan exhibition of early English porcelain from 1745 to 1753, on view until March 21, does not hold the Gurling Collection in high esteem. He finds it banal. But three decades ago, the rarity syndrome was not as acute as it is now. Gurling was not trying to impress anyone. He just wanted to live with his pieces, acquired on a small budget and researched passionately once he stopped buying — the reference library he built up was remarkable for his time.

He died last year at 82, the last of a generation of modest people who discovered art in total isolation and gazed at it in silent delight. It was a remarkable form of genuinely popular culture, and one that cannot be revived. The inflation triggered by speculators has put art collecting beyond the reach of the Gurtings of this world.

Selling the Chinese Avant-Garde

By Sherry Buchanan

SHANGHAI — Running a private art gallery in Shanghai is an unusual occupation. China has a postwar history of state control over culture and audacious artists are disapproved of. Not knowing what to expect from the censors and faced with a small local art market, Lorenz Helbling, a Swiss dealer with an eye to the future, nevertheless decided to take a gamble and open one of the first private art spaces in Shanghai.

He exhibits many of Shanghai's avant-garde, including the political pop artist and "cynical realist" Pu Jie, the abstract artist Ding Yi and the abstract expressionist Tang Guo. (Avant-garde was first used here in the '80s to describe artists who rebelled against the Social Realism taught in government academies since the communist victory in 1949.) In the past four years, the gallery has not been closed down and Helbling has not been asked to take any paintings off the walls.

Helbling says his interest in contemporary Chinese culture dates to 1985 when he was an exchange student at Fudan University.

"My idea is not to export Chinese artists to the West," he says. "I want to show Chinese artists where they live. I knew it was difficult to do in China. If

you look at it just from a business point of view, it is better to export."

After the communist victory of 1949, Mao Zedong set up a Soviet-style system that totally controlled the art market. The government took over the academies, closed them down during the Cultural Revolution and sent dissenting artists to labor camps.

After Mao's death in 1976 and the introduction of Deng Xiaoping's economic reforms in 1979, a tiny private art market emerged, but official China can still make it difficult for avant-garde artists to hold exhibitions. The nation still has no museum that shows contemporary Chinese art, although there are shows of contemporary Western artists.

Wang Qingzheng, deputy director of the Shanghai Museum, says: "Contemporary Chinese art is not included in our collection. It is under a different government department and is a different responsibility. It is not our business." The museum has shown Western contemporary artists and Chinese artists who live or have lived abroad, but not Chinese artists living in China.

"In China, culture is always considered a political instrument, a part of policy," says Hou Hanru, a Paris-based critic of Chinese contemporary art. "It is a political decision to give a space to the private art market. At the moment, they might think it is good for the country;

let's support these artists. But when they look around and say, 'We need some victims,' they could crack down on the same people."

Politics aside, in the 20 years since the end of the Cultural Revolution and the emergence of the small private art market, most people did not have the money to buy art.

THAT is starting to change. Though Helbling sells mainly to Western curators and gallery owners who come to Shanghai looking for new talent, some of his clients are now young Chinese collectors. He hopes that more patrons will emerge from the new rich in Shanghai, who have the cash to spend on Cadillacs and Louis Vuitton handbags, to match the collectors already in Hong Kong and Taiwan. "I think a business town is good for artists," he says. "There is a kind of freedom, an openness to the world. People are busy making money and art is not the first thing they buy. But art will come after the clothes, the car and the house."

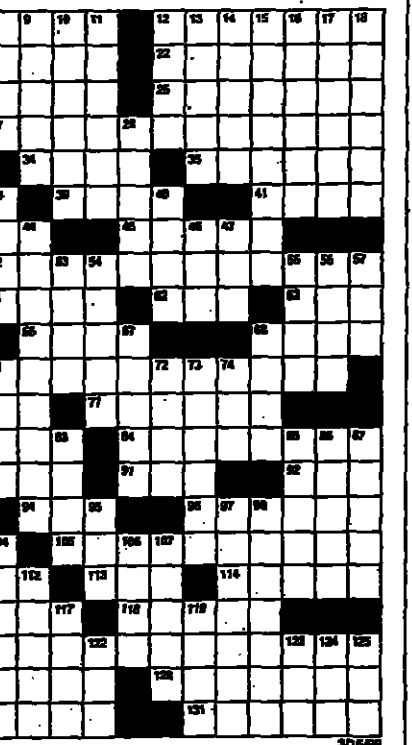
Despite the obstacles, Helbling is optimistic about the future. Chinese auction houses are now selling contemporary works, the first sign that a local art market is developing.

Sherry Buchanan is a journalist who frequently travels in Asia.

CENTRAL FIGURES By Frank Longo

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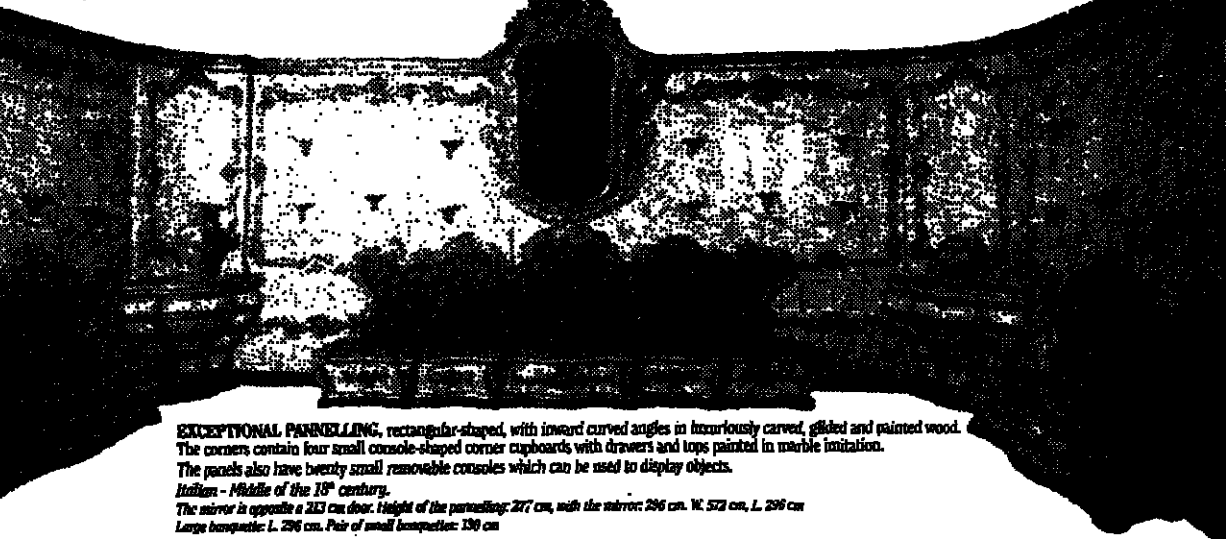
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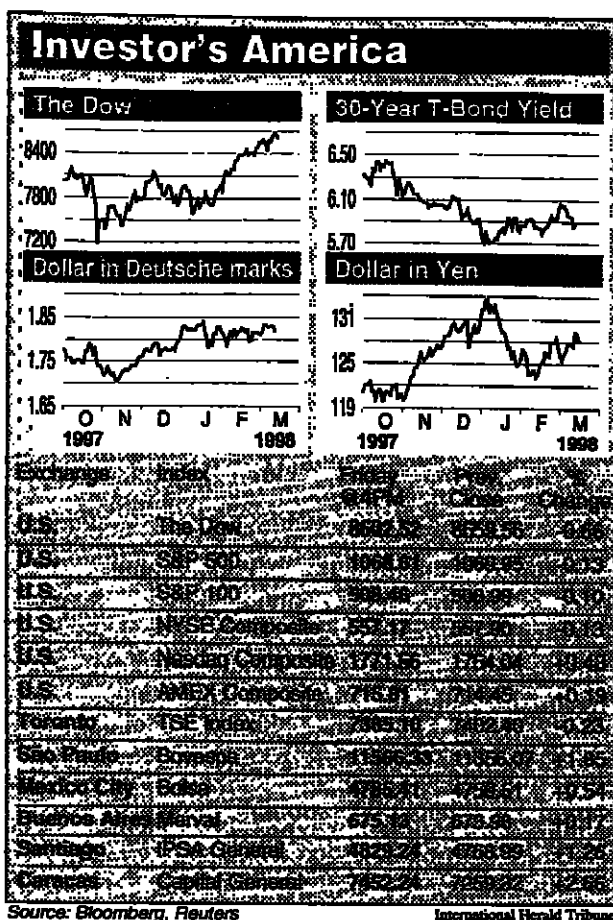
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THURSDAY 5th APRIL 1998 - Contemporary art - FRIDAY 21st APRIL 1998 - Jewellery - WEDNESDAY 1st JUNE 1998 - Old paintings, furniture and objects of art
FROM 10th TO 22nd MAY 1998: GENÈVE: HOTEL DES BERNARDINS - AUGUST 1998: TROUVILLE - OCTOBER 1998: DROUOT MONTAIGNE
NOVEMBER 98: DROUOT MONTAIGNE - DECEMBER 98: DROUOT MONTAIGNE - DECEMBER 98: GENÈVE
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THE AMERICAS



Dollar Slips As Rumors Hit Drachma

Compiled by Our Staff From Dispatches

NEW YORK — The dollar slid against other major currencies Friday as traders reacted to a variety of rumors from financial and political circles, traders said.

The dollar was quoted at 4 P.M. at 1.8178 Deutsche marks, down from 1.8281 DM on Thursday. It was at 128.130 yen, down from 129.235 yen. The dollar also fetched 1.4755 Swiss francs, down from 1.4858 francs, and 6.0965 French francs, down from 6.1280 francs. The pound rose to \$1.6715 from \$1.6587.

The dollar's decline against the Deutsche mark came against the backdrop of rumors of a devaluation of the Greek drachma. Traders

FOREIGN EXCHANGE

said the Greek central bank then sold the U.S. currency for marks in an effort to defend the drachma.

Greece has asked its European Union partners to allow the drachma into the European exchange-rate mechanism in preparation for Greece's participation in the European single currency.

A central bank official said Greece's monetary policy from now on would be designed to ensure the credibility of the drachma's exchange rate and ensure that Greece will be able to join the euro in the second round in 2001, the official said.

The dollar also slid after the White House said President Bill Clinton did not plan to respond to allegations of sexual harassment made in a television interview to be broadcast Sunday.

Traders rushed to sell dollars on concern that the unanswered accusations by Kathleen Willey, a former White House employee, could undermine the president's authority and shake investor confidence in the United States, said Robert Fulmer, head of currency sales at National Westminster Bank.

The dollar's decline against the yen came from Japanese investors selling dollars to shore up their yen positions ahead of the end of the fiscal year March 31, traders said.

The dollar was also hurt by a decline in U.S. bonds, which fell after Federal Reserve Bank of New York President William McDonough warned that strong U.S. economic growth could fuel a rise in inflation.

(AFP, Reuters, Bloomberg)

Lockheed Merger Snags: Not News, U.S. Says

By Tim Smart

Washington Post Service

WASHINGTON — Executives of Lockheed Martin Corp. and Northrop Grumman Corp. were warned in recent months that their proposed \$12 billion merger raised serious antitrust concerns with federal regulators and therefore should not have been surprised that the deal was in trouble, according to two senior government officials.

The comments, made in a briefing by the officials on the condition that they not be identified, were partly an attempt to refute criticism on Wall Street and in the defense industry that the government was changing its policy toward defense mergers after \$55 billion of such deals in the last few years.

The officials also said they would demand that Lockheed Martin and Northrop Grumman divest some or all of their radar and other

electronic warfare systems manufacturing units as a condition of approval for their planned merger.

The officials said they had concluded that the deal might require the sale of all of Northrop Grumman's electronics businesses — assets worth \$4 billion and a divestiture that would be the largest in history — although even that might not be enough to win approval.

"This was not either a change in our policy or direction," one official said. Added the other: "This process was straight by the books. This, in our opinion, should not have come as a surprise."

The companies shocked the defense industry and Wall Street on Monday by issuing a statement saying that the Justice Department was "fundamentally opposed" to the deal while the companies had been signaling that the deal was all but complete. Northrop's stock fell more than \$20 on the news.

"Up until Friday night, we did not have the clear nature of their concerns," Lockheed Martin's spokesman, Charles Manoir, said Thursday. "And we're still learning what they are."

Mr. Manoir said Lockheed Martin "is committed to submitting a proposal to the Department of Justice to address all its concerns." The company has said it will do so by April 8.

The briefing by government officials detailed the scope and breadth of the antitrust concerns, which include whether a combined Lockheed Martin-Northrop Grumman would have monopoly positions in radar, electronic countermeasures and anti-submarine warfare and whether it would be too dominant in the manufacture of aircraft.

The officials indicated that they were worried that the combined company would be too big, and too dominant, to be adequately supervised by the Pentagon.

Stocks Slide on Mixed Signals for Earnings

Compiled by Our Staff From Dispatches

NEW YORK — Stocks were mixed Friday as technology shares received some positive profit news from Oracle, but an unexpectedly weak earnings report from Kimberly-Clark dragged down the broader market.

The Dow Jones industrial average closed down 57.04 points at 8,602.52. Advancing issues outnumbered declining ones by an 8-to-7 ratio on the New York Stock Exchange.

U.S. STOCKS

The Standard & Poor's 500-stock index finished down 1.31 points at 1,068.61. It has closed at record highs in each of the past three sessions.

The day's slippage came despite news that wholesale prices fell for the fourth straight month in February, in line with expectations, suggesting that inflation remains tame.

The Labor Department said the producer price index fell 0.1 percent. The core rate, excluding the volatile food and energy components, rose 0.1 percent. Economists had expected it to be unchanged.

Unemployment, however, is at a 24-year low, forcing businesses in some industries to offer higher wages to attract qualified workers.

The possibility of wage inflation hurt bond prices, with the yield on the benchmark 30-year Treasury bond rising to 5.88 percent from 5.86 percent Thursday.

Kimberly-Clark's shares fell 11



NEW WAY TO TRADE — A Chicago Board Options Exchange trader, left, showing a hand-held trading terminal to Victor Sakharov, center, president of the Moscow Stock Exchange, and Dmitri Vasilev, chairman of the Russian Securities Market, who were visiting the Chicago exchange.

percent after it said it expected its first-quarter earnings to miss estimates because of lower-than-expected sales in Europe.

The technology-heavy Nasdaq composite index closed up 7.60 points at 1,771.66. The index, which had been battered by profit warnings for the last two weeks, showed the resilience of technology stocks and the investors who buy them, analysts said.

Oracle is a case in point. After two disappointing prior quarters that

have sent its shares down 30 percent from their August high, the company said late Thursday that profit in its third financial quarter rose 12 percent, beating expectations, as sales of its mainstay database software were picked up. Oracle shares were higher late Friday.

The report signaled that computer-related shares could overcome periodic profit disappointments, investors said.

"There was a lot of inventory in the pipeline that certain companies

needed to work off," said Suzanne Coleman, a money manager at David L. Babson & Co. in Cambridge, Massachusetts, which manages \$12 billion in assets. "It can be done."

Intel, Compaq Computer and Motorola were up after declining last week on warnings of disappointing profits.

Ford Motor shares rose after the automaker announced details of its spin-off of Associates First Capital Corp., a consumer-finance company.

Ford said stockholders would receive 0.262085 shares of Associates for each Class B of common Ford share they own.

Ford is spinning off its 80.7 percent stake in Associates First to Ford shareholders April 7, a total distribution worth about \$25 billion.

Ford shares were again given a rating of "outperform" by a Morgan Stanley, Dean Witter, Discover & Co. analyst, Stephen Girsky, who said Ford employees will most likely use the cash to buy Ford stock, representing a large stock buyback.

Shares of Lubrizol, a specialty-chemicals company, fell after disclosing that earnings for the first quarter could be 15 percent lower than year-earlier earnings because of economic uncertainties in the Asia-Pacific region.

Clear Channel Communications, an owner of radio and TV stations, rose after Universal Outdoor Holdings said it received tentative U.S. antitrust approval for its proposed purchase by Clear Channel for \$2.1 billion. (Bloomberg, AP)

Very briefly:

• Rite Aid Corp. asked the Federal Trade Commission to allow it to keep a store in Maine it has not been able to sell so it can end a three-year dispute with federal regulators that recently resulted in a \$900,000 fine. The drugstore chain was required to sell the store as a condition for approval of its \$50 million acquisition of LaVerdiere Enterprises Inc. in 1994.

• Reed Elsevier said it was interested in buying the medical and legal publishing businesses of Times Mirror Co. in a bid to expand after abandoning its takeover of Wolters Kluwer NV.

• Alltel Corp. is in talks to buy 360 Communications Co. for more than \$40 a share, or about \$4.87 billion in stock, to expand its wireless-phone business in the southeastern United States, people familiar with the negotiations said.

• Barnes & Noble Inc.'s fourth-quarter net profit fell 5.9 percent, to \$8.3 million, as strong sales during the holiday season were offset by a charge of \$11.5 million.

• Canada's unemployment rate fell to 8.6 percent in February, improving from a jobless rate of 8.9 percent in January following a devastating ice storm, Statistics Canada said.

• U.S. West Inc. plans to borrow more than \$8 billion from a consortium of banks led by J.P. Morgan & Co. as it prepares to split its telephone and cable television businesses, people familiar with the company said. (Bloomberg, Reuters)

Hilton in Talks to Buy Circus Circus

Bloomberg News

BEVERLY HILLS, California — Hilton Hotels Corp. said Friday it was in talks to buy Circus Circus Enterprises Inc. and might split its hotel and casino businesses, creating the dominant U.S. casino operator.

Hilton said it would separate hotels and casinos in a tax-free spin-off. The casinos would then combine with Circus Circus through a stock swap. The deal has not been approved by the companies' boards. Hilton shares closed at \$34.8125, up \$1.8125. Circus Circus shares closed at \$25.375, up 18.75 cents.

AMEX

Friday's 4 P.M. Close

The 300 most traded stocks of the day, up to the closing on Wall Street. The Associated Press.

Stock Sales High Low Last Chg.

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U. S. STOCK MARKET DIARY

March 13, 1998

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INTERNATIONAL FUTURES

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EUROPE

Lonrho Unveils 3-Way Gold-Mining Deal

Reuters — The British conglomerate Lonrho PLC, which has kept investors on tenterhooks for almost a year, on Friday finally announced it had sealed a three-way share and asset swap with South Africa's Anglo-American Corp. and the mining house JCI Ltd. The complex deal would create a black-led gold mining company, to be called JCI Gold.

Lonrho acquired a reputation as a "can't do" company, raising hopes and then dashing them regularly. Continual sniping at the current management from Roland (Tiny) Rowland, the man who built Lonrho into the colonial giant of the 1970s and was ousted in a bitter boardroom

fight, did little to soothe investors.

The simple fact is that they are now managing to conclude deals, which they said they would, a leading London mining industry analyst said. "It was imperative they did this before losing all credibility."

On the London Stock Exchange, Lonrho shares gained £2.26 to close at £10.01. Analysts said the agreement and prices paid were broadly in line with expectations and investors had been led to expect that a deal was in the offing.

JCI would give Anglo-American its JH Joel gold mine and 157 million rand (\$31.6 million) in cash in return for a 21 percent stake in Lonrho. It also announced the sale of its Tavistock coal division to Lonrho

for 1.5 billion rand and the possible disposal of its chrome interests, which it estimates could raise at least 800 million rand.

JCI's remaining prime bullion interest, Western Areas, which was earmarked to go to Anglo under an earlier swap plan, will, along with Randfontein Estates, become the core of a new black-led gold mining company.

Analysts said the prices of the deal looked reasonable and predicted shareholders would take the cash rather than gamble on the new JCI in the current dismal gold environment.

"I think some of those people who have burned their fingers badly will say we want out of it," Mark

Madeyski, a gold mining analyst at O'Flaherty & Co., said after the briefing.

Some long-suffering JCI shareholders have seen the value of their investment halved since paying 54.50 rand per share when a consortium led by Brett Keble and Mzi Khumalo took over JCI from Anglo last year.

Mr. Khumalo, a former black freedom fighter who became a high-profile entrepreneur in the new South Africa, surrendered his executive chairman position in December after a dispute over a minerals deal.

Mr. Khumalo later quit as chairman when the board voted in January to break up the 106-year-old mining company.

BA Considers Joint Offer For Eurostar

Compiled by our Staff From Dispatches

LONDON — British Airways PLC said Friday that it was in talks with National Express PLC, a British bus and train operator, about a joint bid to run the Eurostar high-speed rail service linking London with Paris and Brussels.

Iain Burns, a BA spokesman, said the companies might jointly approach the British government to take over the unprofitable service through the Channel Tunnel from London and Continental Railways, a consortium that is near bankruptcy. A joint bid would help Europe's largest airline stem its losses against Eurostar, which has taken more than half of the market for passengers between the three cities. A bid would again pit BA against a long-time rival, Virgin Group Ltd., which owns Virgin Atlantic Airways and is already bidding for Eurostar.

Virgin already has a stake in London and Continental and has taken steps to link its airline service with the Eurostar. In 1996, Virgin began allowing members of its frequent-flyer program to claim travel on Eurostar as well. But press reports have said Virgin, led by the British entrepreneur Richard Branson, disagreed with others in the group over the marketing of Eurostar and never won as much control over the service as it would have liked.

A Virgin spokesman, Will Whitehorn, said the company would put in a bid to run the service next week after the government asked both Virgin and National Express to put in separate business plans by March 31 for running Eurostar.

London and Continental won a 999-year franchise to run Eurostar in 1996, when it also won the bidding to build and operate a high-speed rail link between London and the Channel Tunnel. The high-speed link is scheduled to begin in 2003.

The project was thrown into doubt in January, when the British deputy prime minister, John Prescott, turned down London and Continental's request for an additional £1.2 billion (\$1.99 billion) in public money to build the link. The group said it would fold without the additional money.

The service is losing about £180 million a year and carried 6 million passengers last year, short of London and Continental's forecast of 10 million.

(Bloomberg, Reuters)

Great Universal Makes Bid For U.S. Direct Marketer

Bloomberg News

LONDON — Great Universal Stores PLC, Britain's largest catalog retailer, agreed Friday to buy the U.S. direct marketer Metromail Corp. for \$831 million in cash and assumed debt to expand its consumer information services.

Carmakers Play Alphabet Game

Reuters

FRANKFURT — Mercedes-Benz AG and Volvo AB have asked a German court to decide which carmaker has the right to use the letters "V" and "S" in individual model numbers, a spokesman for Mercedes said Friday.

The spokesman said that was no legal conflict over the matter.

"This is not a conflict," he said. "We only want the court to clarify the situation."

Mercedes uses a "V" to designate a class of vans and an "S" for its top-of-the-line models.

Volvo uses an "S" to designate its standard model sedan and a "V" for its five-door hatchback models.

GUS will pay \$31.50 per share, a 21 percent premium over Metromail's closing share price Thursday of \$25.875, for all of Metromail's outstanding shares, GUS said. The boards of both companies have approved the transaction, it said. In late trading Friday, Metromail stock was up \$5.875, at \$31.75.

The deal for Metromail comes as GUS is awaiting the outcome of its hostile offer for Argos PLC, another British retailer, in a bid to create one of Britain's largest home-shopping companies. GUS said this week it would give Argos shareholders another two weeks to accept the £1.6 billion (\$2.65 billion) offer.

Metromail will mesh well with GUS, analysts said. GUS is "looking to build up that sector of the business and this is a good way to do it," said Alexia Walker, an analyst with Williams de Broe in London.

Metromail is a database and direct marketing firm with business in the United States and Britain. It specializes in reaching targeted audiences with a proprietary database containing information on 95 percent of U.S. households. Its shares rose 48 percent last month after it said it received acquisition and merger offers.

GUS shares fell 11.5 pence, to 773.5. The stock was likely driven down because investors are "unsettled" by the two concurrent bids, Rodney Forrest, an analyst with Credit Lyonnais Securities said.



UNITED FACES — Oliviero Toscani, Benetton's photographer, inaugurating an ad campaign Friday in Rome linked to the 50th anniversary of the UN human rights declaration.

OPEC Delays Key Production Meeting

Reuters

LONDON — The Organization of Petroleum Exporting Countries decided Friday to postpone a meeting on oil-market conditions, signaling that they needed more time to heal a dispute over production that has brought oil prices to nine-year lows.

The OPEC secretary-general, Riham Lukman, said that the meeting of the Market Monitoring Committee, scheduled next week, had been postponed until March 30.

Oil dealers regarded the meeting as OPEC's next opportunity to elim-

inate a worldwide glut of crude that has squeezed oil revenues.

The committee was due to review members' production levels and global market conditions following an \$8-a-barrel slide in oil prices since October, to \$13.02 for Brent crude in late trading Friday. But "you can't meet when you haven't properly prepared your case," a delegate said.

The committee has no mandate to set production quotas. That is done by ministerial gatherings of the 11-nation cartel.

WORLD STOCK MARKETS

Friday, March 13

Prices in local currencies.

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**An Outsider
May Head
1. of Japan**

Interest Rates Alone

Bank of Japan said Friday it will keep its official interest rate at 5.5% to help the yen slide to low levels to help the economy.

Bloomberg News reported that the central bank has maintained the rate it charges for lending at an all-time low since September 1995.

The interbank overnight loan

INDONESIA: Sarbi
continued from Page 1
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AGER: Saving Money

from Page 9

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With 661 ship seats for \$480,000 a piece, the principals' selling for about would take \$ buy them all at

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ASIA/PACIFIC

An Outsider May Head Bank of Japan

Bloomberg News

TOKYO — Prime Minister Ryutaro Hashimoto wants to appoint someone from outside the government as Bank of Japan governor, senior party officials said Friday.

Mr. Hashimoto started searching for a new central bank chief Thursday after the current governor, Yasuo Matsushita, offered to resign to take responsibility for the arrest Wednesday of a central bank official suspected of accepting bribes.

Scandals currently wracking the two institutions have led to the arrests of four Finance Ministry officials, the resignation of the finance minister and the suicides of four of the ministry's bureaucrats.

"After the bribery scandals, politicians are probably reluctant to choose anyone linked to the Finance Ministry and the Bank of Japan," said Yasunari Ueno, chief market economist at Fuji Securities Co.

Appointing an outsider would end a tradition in which the position has alternated between officials of the Bank of Japan and the Finance Ministry. Mr. Matsushita became governor in December 1994 after serving as vice finance minister, the top administrative post at the ministry.

According to that tradition, the next central bank governor would likely be Toshihiko Fukui, senior deputy governor of the central bank.

Mr. Fukui may now serve only as interim governor after Mr. Matsushita steps down. Mr. Hashimoto has urged Mr. Matsushita to stay at the post until at least April 1, when a revised law takes effect that gives the central bank more independence from the government.

The prime minister has the legal authority to choose the central bank governor, who is usually named after negotiations among the institutions and the ruling party.

"The arrest provides a good opportunity for the Bank of Japan to scrap the much-criticized tradition," said Kazuhiko Ogata, an economist at Jardine Fleming Securities.

BOJ Leaves Rates Alone

The Bank of Japan said Friday it would maintain official interest rates at record-low levels to help the economy, Bloomberg News reported from Tokyo.

The central bank has maintained its discount rate, the rate it charges for overnight lending, at an all-time low of 0.5 percent since September 1995 and held its interbank overnight-loan rate target just below that level.

Seoul Seals Bank-Debt Pact

Compiled by Our Staff From Dispatches

SEOUL — South Korea and 123 international banks concluded an agreement Friday to extend \$21.37 billion of maturing South Korean bank debt for up to three years in exchange for government guarantees.

The agreement opens the door for the government to sell up to \$9 billion of bonds in its first international bond sale.

South Korean companies are counting on the bond sale to set a pricing benchmark that will enable them to return to global capital markets and bolster their finances for the first time since the country slid into financial crisis last November.

The agreement cuts the proportion of Korean currency debt that matures within a year to just 30 percent of all debt, down from 44 percent at the end of December.

"We are very pleased with the overwhelmingly favorable response we have received to date to the exchange offer," said Lee Kyu

Sung, South Korea's minister of finance and economy, in a statement.

The foreign banks, representing 31 countries, agreed to reschedule 94.8 percent of maturing debt, well above the threshold required for the January Rhodes to proceed.

William Rhodes, vice chairman of Citibank NA, and senior coordinator of the bank negotiations, said in the statement: "The banks' response allows the loan agreement to be signed formally before the end of March and the first exchange to be on April 8, as scheduled."

South Korea will swap short-term debt for new one-, two- and three-year loans to South Korean banks, guaranteed by the government, at interest rates ranging from 2.25 to 2.75 percentage points above the London interbank offer rate.

The refinancing plan is designed to help South Korea solve its short-term liquidity problem and support the country's economic program.

The one-year loans will pay interest of 2.25 percentage points more than the six-month London interbank offer rate. The two-year loans will pay 2.5 points more than Libor, while the three-year loans will bear a premium of 2.75 points. Those rates are subject to change if the country's credit ratings improve.

Separately, South Korea's central bank said that usable foreign exchange reserves, excluding deposits in overseas branches, stood at \$18.54 billion at the end of February, up from \$12.36 billion a month earlier. Total foreign exchange holdings rose to \$26.72 billion at the end of February from \$23.52 billion at the end of January.

That amount includes funds from lenders such as the IMF, the Asian Development Bank and the World Bank as part of the bailout package. South Korea has already received about \$21.09 billion of such funds. (Bloomberg, Reuters)

Sega Suffers Setback in U.S. Video Games

By Stephanie Strom
New York Times Service

TOKYO — In a stunning retreat, Sega Enterprises Ltd., the company that gave wings to the high-flying video-game business with the success of its Sega Genesis console, said Friday it was pulling its Sega Saturn console from the U.S. market in the face of stiff competition from Sony Corp. and Nintendo Co.

The company said it would write off \$450 million to cover losses at its U.S. subsidiary, Sega of America Inc., and on investment securities and a software venture, as well as for the disposal of inventory.

Sega expects to post a net loss for the year ending Mar. 31 of 32.8 billion yen (\$253.5 million) and anticipates that sales will fall almost 21 percent, to \$2.8 billion. Its stock sank 3.3 percent Friday, to close at 2,130 yen.

Sega's president, Shoichiro Irimajiri, said the company had decided to take drastic steps to wipe out inventories to better position itself for introducing the next generation of video-game consoles, which it is developing along with Microsoft Corp. He promised that although the company would no longer sell Saturn in the United States, it would continue sales in Japan and would continue to sell and develop software for the console.

Moody's Investors Service Inc. said Friday it had placed Sega under review for a possible downgrade. It questioned Sega's "ability to maintain its competitive position overseas in the highly trendy business" of video games.

After selling some 20 million 16-bit Genesis consoles in the United States in the early 1990s, the company's 32-bit Saturn flopped miserably. Introduced in 1995, only 2 million of the consoles sold in the United States, and 5 million in Japan.

Sony's Playstation and Nintendo's 64-bit console have each sold more than 6 million units in the United States, while Saturn barely accounted for 2 percent of the market, according to the NPD Group.

Sega made several mistakes with Saturn. Sega introduced Saturn in the spring instead of the autumn season, when most video-game players are sold, and its distribution was limited to just a few retailers.

Now, Sega will have to court retailers all over again when it brings its new console to market, which is expected to be Internet interactive.

Minority Shareholders Rebel in South Korea

Bloomberg News

SEOUL — South Korea's first rebellion by minority shareholders escalated into a confrontation Friday when Daelim Trading Co. barred scores of people from voting at its annual general meeting.

Scuffles broke out after Daelim management rebuffed attempts by some shareholders to force the board to step down. The dispute could undermine attempts by President Kim Dae Jung to lure foreign investment by improving shareholder rights.

"This is a classic case of how

minority shareholders are treated here," said Yang Sih Kyung, a lawyer. "There's just too much lip-service and not enough action."

Mr. Yang represents Baek Kwang Hoon, an entrepreneur who owns 2.9 percent of the ceramics and tableware manufacturer. Mr. Baek said Daelim management refused to allow him to vote on behalf of shareholders who collectively own 23.8 percent of the company.

Mr. Baek was greeted by Daelim employees carrying placards emblazoned with the words "Go to Hell Baek Kwang Hoon."

"Go Home Baek Kwang Hoon. You Evil Corporate Vulture."

"It's unbelievable such barbaric actions are taking place at annual shareholders' meetings," said Mr. Baek, who owns a bowling alley and runs computer schools for children. Mr. Baek is trying to unseat several Daelim directors, accusing them of mismanagement.

Most shareholders left the boardroom when Daelim said it would not accept the transfer of voting rights representing 500,000 shares that Mr. Baek gathered from other minority shareholders.

China Consumer Prices Fall for First Time

Bloomberg News

BEIJING — China's consumer price index fell in February for the first time since China began tracking inflation, the government reported Friday, as bumper harvests and a sagging economy reduced inflationary pressure.

The consumer price index, which tallies retail sales, utilities and some services, was 0.1 percent below the level of February 1997, and was down from the 0.3 percent year-on-year rise recorded for January, the State Statistics Bureau reported.

"There's never been a negative

CPI figure," said Qiu Xiaohua, chief economist at the statistics bureau. "The slide will continue for a few months."

The negative inflation figure increases the likelihood that China's central bank will move soon to cut official interest rates to ease pressure on companies' costs as their profits slump.

A cut would save companies money on interest payments for new loans and stimulate investment in an economy now growing at its slowest pace since 1990.

China has cut interest rates three

times over the past two years but inflation rates have fallen even faster, leaving borrowers paying higher real interest rates.

Still, Dai Xianglong, the central bank governor, said Beijing had weighed the benefits of a rate cut against the potential risk of depositors fleeing accounts denominated in yuan for higher-paying U.S. dollar accounts, undermining the government's ability to maintain its fixed exchange rate to the dollar.

China's one-year yuan fixed deposit pays 5.67 percent compared with 5.25 percent paid on dollar accounts.

INDONESIA: Setback Is Seen for IMF Goals

Continued from Page 1

U.S. dollar through a currency board.

On Thursday in Washington, the Fund's managing director, Michel Camdessus, said such a move would be disastrous for Indonesia at this time.

"Why?" he said. "Because this country with its very limited stock of reserves now, with an extremely vulnerable banking system, with a corporate debt which has not yet been stabilized or rescheduled, cannot afford to manage a currency board."

A week ago, the IMF said it would delay until at least next month the release of a second disbursement of \$3 billion because of Indonesia's slow ac-

tion on removing price supports, reforming the banking sector and disbanding monopolies and cartels.

That announcement drew a chorus of nationalist indignation from officials here, along with a suggestion by Mr. Suharto that the liberalized economy he had agreed to would run counter to the Indonesian ethic of family relationships and government controls.

Mr. Suharto has resisted outside pressure, first by naming his friend B.J. Habibie as vice president, despite objections abroad that he represents that very ethic, and now by naming a cabinet that is not dominated by economic technocrats.

"The crisis is more polit-

ical than it is economic in character," Mark Brown, a vice president of the World Bank, said Tuesday.

"This is a test of wills between President Suharto and domestic and international markets."

In a report on Indonesia this week, Jardine Fleming painted a bleak picture of the country's economic prospects and its will to take strong measures.

"The operative word for the Indonesian policymakers is 'confusion' and the situation in Indonesia continues to worsen," the report said. "The banking system is dead and there is hardly any borrowing/lending taking place and distribution networks are falling apart."

JAL Faces Dip In 2 Ratings

Bloomberg News

TOKYO — Japan Airlines Co.'s long-term and short-term credit ratings may be downgraded by Standard & Poor's, the U.S. firm said Friday.

JAL failed to cut costs sufficiently given the weak Japanese economy and greater competition, S&P said. The company's hotel operations also burden its financial performance, it said.

S&P placed JAL's "triple B-plus" long-term and "A-2" short-term ratings on "CreditWatch with negative implications."

BAHT: Soros Invests in a Mill

Continued from Page 9

banking system. Impending problems in the Thai economy include convincing foreign banks to continue extending credit to debt-ridden Thai companies, instituting a workable bankruptcy law and finding foreign partners to recapitalize the country's banks and finance companies.

"Everyone always draws parallels with Mexico, where investment flows restarted after just 12 months," Mr. Pietersz said. "But that was a straightforward problem with one debtor: the public sector. Here it is a private sector problem with a myriad of multiparty negotiations."

After borrowing heavily

overseas, much of Thailand's private sector has been bankrupted by the fall of the baht. Loans taken out in dollars now cost 40 percent more to repay than they did nine months ago.

Cleaning up the corporate mess has proven impossible since, until recently, Thailand had no bankruptcy law. A new law that comes into effect at the end of this month will only partly address the problem, analysts said.

"The new law allows creditors to force companies to restructure but it doesn't give them the power to threaten liquidation," said Bob Burgess, a financial consultant. "It is a bankruptcy law without teeth that allows the cronies to save themselves."

MERGER: Saving Money

Continued from Page 9

By having two markets, the NASD would be in a position to argue that it could offer either an auction market or a dealer market to any company. That could be important after Rule 500 is changed at the New York Stock Exchange.

That rule allows companies to leave the Big Board only if a large majority of shares outstanding approve the action in a shareholder vote. The exchange has proposed making leaving easier, but the NASD has explained it will still be too stringent, and the issue is before the Securities and Exchange Commission.

The possibility of such talks would have been unlikely even a few years ago, in large part because stock markets — whether exchanges or Nasdaq — were dominated by insiders even though most of the members were the same brokerage houses.

That led to a bitter legal battle in which the AMEX tried to keep Nasdaq stocks from being automatically eligible for trading in some states, as exchange stocks are. The same firms were effectively paying for lawyers for both sides of the battle, which Nasdaq eventually won.

But the SEC, under Chairman Arthur Levitt Jr., has forced all markets to tilt power toward directors outside the securities industry. The Nasdaq market makers have seen their power wither as regulators forced new trading rules that threaten to cut their profits by improving the

prices that investors can obtain. Those reforms have in some ways made Nasdaq more like an auction market, although differences remain.

To get the deal approved, the AMEX will need the backing of its members, who own seats and would be strongly opposed to seeing their value whither. Most of the seats on the AMEX are owned by investors who lease them out to traders and brokerage houses. By contrast, any brokerage house with sufficient capital and regulatory approval can be a market-maker on Nasdaq.

At least at the beginning, that system would endure. But there would be steps taken to protect the value of the seats, which might include the NASD's buying some seats and retiring them, according to a participant in the negotiations.

With 661 regular membership seats recently selling for \$480,000 apiece and 203 options principal memberships selling for about \$450,000, it would take \$400 million to buy them all at current prices.

THE NO SYSTEM

PERFORMANCE RESULTS FOR BEGINNING EQUITY OF

\$50,000 JANUARY 1st 1998

\$54,391 MARCH 1st 1998

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Next results in April 1st 1998

AMSTERDAM

CROSSROADS INTERNATIONAL CHURCH (Interdenominational & Evangelical). Sunday service 10:30 a.m. & 11:30 a.m./ Kids Welcome. De Cussetstraat 3, 8. Amsterdam Info. 020-641 3812 or 020-654 9828.

FRANCE/TOULOUSE

HOPE INTERNATIONAL CHURCH (Evangelical). 4, bd de Pibrac, Colomier Sunday service 9:30 a.m. Tel: 05 62 74 11 52.

FRENCH RIVIERA/CÔTE D'AZUR

NICE Holy Trinity (Anglican). 11 rue St. Rémy. Tel: 33 04 93 97 19 83.

FRANKFURT

English Speaking International Catholic Parish, St. Leonhard, Alte Mainzer Gasse 8, 60311 Frankfurt, Germany. Tel/Fax: 069-2831777. Mass schedule: Sunday 8 p.m., Sunday 10 a.m. Confessions: 12 hour before Mass.

ORERURSEL/BERESTEDIN

ST. MARY'S CATHOLIC CHURCH (English Speaking). St. Petrus Canisius Kirche, Am Alten Bech 2, Duesse/Orerurzel, Mass Sun. 11:30. Pastor Fr. Bruens 069 7191 14 30 or Church Office 069 719 259 83.

PARIS AND SUBURBS

EMMANUEL BAPTIST CHURCH - 56, rue des Bœufs-Raisins, 92500 Rueil-Malmaison. Worship: 9:45 a.m. Sun. 11 a.m. Sun. 11:30 a.m. Tel: 01 47 51 29 83/01 47 49 15 29 or http://www.godtimes.com/Pasteur/Memoir/1992

HOPE INTERNATIONAL CHURCH (Evangelical). 4, bd de Pibrac, Colomier Sunday service 9:30 a.m. Tel: 05 62 74 11 52.

SAINT JOSEPH'S CHURCH (Roman Catholic). 1455 rue de la Chapelle. Sun. 9:45 a.m., 11 a.m., 12:15 p.m. 8:30 p.m. 50 avenue Hoche, Paris 80. Tel: 01 42 27 26 55. Mass: Charles de Gaulle - Bate.

UNITARIAN UNIVERSALIST

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THE NETHERLANDS UNITARIAN FELLOWSHIP invites you to its services which are held on the 1st Sunday of each month beginning at 12:00 at the NUB Church, Laag Veldman 46, Wassenaar. All are welcome! Non-dogmatic religious education for the children. Nursery provided. Call 020-645-5513.

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PARIS AND SUBURBS

THE AMERICAN CATHOLIC OF THE HOLY TRINITY, Sun. 9 & 11 a.m. 10:45 a.m. Sunday School for children and Nursery care. Third Sunday 5 p.m. Evening song. 23, avenue George V, Paris 75008. Tel: 33-01 53 23 34 00. Mgr. George V or Alina Marcelle.

FLORENCE

ST. JAMES CHURCH, Sun. 9 a.m. 10:45 & 11 a.m. 11:15 a.m. Via Bernarodo Rucellai 9, 50123, Florence, Italy. Tel: 39055 29 44 77.

FRANKFURT

CHURCH OF CHRIST THE KING (Episcopal/Anglican). Sun. Holy Communion 9 & 11 a.m. Sunday School and Nursery 10:45 a.m. Sebastian Ritz St. 22, 60328 Frankfurt, Germany. Tel: 069 489 55 01 84.

GENEVA

EMMANUEL CHURCH, 1st & 3rd Sun. 10 a.m. Eucharist; 2nd & 4th Sun. Morning Prayer 9 a.m. de Montreux, 1201 Geneva, Switzerland. Tel: 4122 782 80 78.

MUNICH

THE CHURCH OF THE ASCENSION, Sun. 11:45 a.m. Holy Eucharist and Sunday School. Nursery care provided. Seyditzstrasse 4, 81545 Munich (Herting), Germany. Tel: 4989 64 81 85.

ROME

ST. PAUL'S WITHIN-THE-WALLS, Sun. 8:30 a.m. Holy Eucharist; 10:30 a.m. Choral Eucharist; 11:30 a.m. Choral Eucharist for children & Nursery care provided; 1 p.m. Spanish Eucharist. Via Napoli 38, 00184 Rome. Tel: 396 488 3339 or 396 474 3666.

BRUSSELS/WATERLOO

ALL SAINTS CHURCH, 1st Sun. 9 & 11:15 Holy Eucharist. All other Sundays: 11:15 Holy Eucharist and Sunday School. 583, chaussée de Louvain, Châin, Belgium. Mail: 81, rue Coleau, 1410 Waterloo. Tel: 322 384 3555.

WIESBADEN

THE CHURCH OF ST. AUGUSTINE OF CANTERBURY, Sun. 10 a.m. Family Eucharist. Frankfurt/Strasse 3, Wiesbaden, Germany. Tel: 49611 30 68 74.

EUROPEAN BAPTIST CONVENTION

BERLIN

L.B.C., BERLIN, Rotherbaum Str. 13, (Steglitz), Sunday, Bible study 10:45, worship service 12:00 noon. Charles Weidner, pastor. Tel: 030 774 4670.

BRATISLAVA - SLOVAKIA

L.B.C., The Luvanta, Karlovska 64, Auditorium 1045, Worship Sun. 10:30. Tel: (07) 715367.

BREMEN

L.B.C., Hohenholz, Hermann-Rose-Str. 17300, Pastor telephone: 0421-76 648.

BUCHAREST

L.B.C., Strada Popea Rusu 22, 300 p.m. Contact Pastor Mike Kemper, Tel: 312 3880.

BUDAPEST

L.B.C., meets at Marica Zalmond Gimnazium, Torokszek ut 48-54, Sun. 10:00. Tel: 250-3992.

BULGARIA

L.B.C., World Trade Center, 36, Drahin Tzarikov Blvd, Vornish 11:00. James Dukes, Pastor. Tel: 971-2192.

DARMSTADT - GERMANY

L.B.C., Wilhelm-Leuschner Str. 104, Darmstadt-Ortenheim, Bible Study Sun. 10:30. Tel: (0617) 941425.

FRANKFURT

INTERNATIONAL CHRISTIAN FELLOWSHIP, Su-Friedrichs-Gemeinde, Sodensee, 11-16, 65150 Bad Homburg, Sunday Worship, 10:30 a.m. & 5:30 p.m. 11:20 a.m. Mid-week ministries, Pastor M. Meyer, Call/Fax: 06173-62728.

BETHEL, L.B.C., Arg Dachsberg 92 (England), Worship Sun. 11:30 a.m., and 8:00 p.m. Tel: 069-549595.

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ST. PAUL DE VENICE - FRANCE

St. Paul de Venice - France L.B.C., Espace St. Claire, Level 10, Bible Study Sun. 9:30, Worship Sun. 10:45. Tel: (04 93) 24 92 61.

PRAGUE

L.B. FELLOWSHIP, Vinohradska # 68, Prague 3, Sun. 11:00. Tel: (02) 511 7674.

WATERLOO

WATERLOO BAPTIST FELLOWSHIP, Sun. 10:30 at Swedish Church, across from MacDonalds, Tel: (02) 563 1585.

ZURICH - SWITZERLAND

L.B.C. of Zurich, Gheistrasse 31, 8803 Rüschlikon, Worship services Sunday mornings 10:30. Tel: 1-4810018.

ASSOC. OF INT'L CHURCHES

BERLIN

AMERICAN CHURCH IN BERLIN, cor. of Clay Alley & Potsdamer Str., S.S. 9021, am, Worship 11 am. Tel: 030-813021.

GENEVA

EV. LUTHERAN CHURCH 20 rue Verdaine, Sunday worship 9:30, in German 11:00 in English. Tel: (022) 310.50.89.

JERUSALEM

LUTHERAN CHURCH of the Redeemer, Old City, Meislin Rd. English worship Sun. 9 a.m. All are welcome. Tel: (02) 6281-049.

PARIS

AMERICAN CHURCH IN PARIS, Worship 11:00 a.m. 65, Quai d'Orsay, Paris 7, Bus 83 at door, Metro Alma-Marcouss or Invalides.

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NASDAQ

Friday's 4 P.M.
The 1,000 most traded National Market securities
in terms of dollar volume, updated twice a year.
The Associated Press.

Symbol	Price	Change	Volume
IBM	125.00	+	1,200,000
Microsoft	45.00	+	1,100,000
Apple	40.00	+	1,000,000
Oracle	35.00	+	900,000
Amazon	30.00	+	800,000
Google	25.00	+	700,000
Yahoo	20.00	+	600,000
Alibaba	15.00	+	500,000
Facebook	10.00	+	400,000
Twitter	5.00	+	300,000

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NYSE
Friday's 4 P.M. Close
(Continued)

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Twitter	5.00	+	300,000

هنا من الكحل

25 مارس الابريل

INTERNATIONAL HERALD TRIBUNE, SATURDAY-SUNDAY, MARCH 14-15, 1998

V
BOUTIQUE



VALENTINO

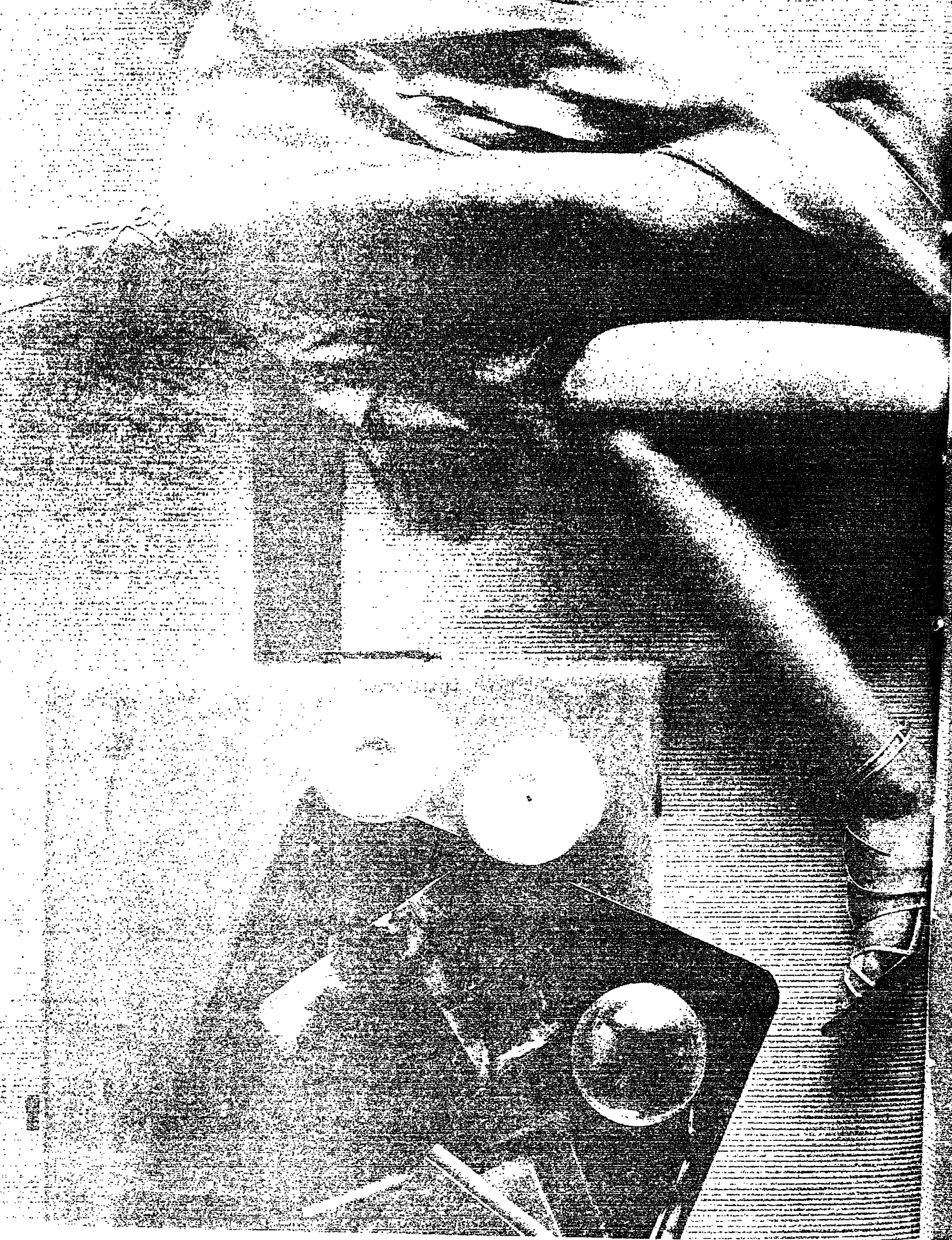






PHOTO: MICHAEL THOMPSON

VALENTINO

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The Art

Sometimes the best investment is no investment at all. This week, *The Money Report* looks at securities to avoid if you are an aggressive investor in the short term.

Long Shadow Across Asia

By Philip Segal

RARELY DO analysts say anything, but they are in their gloom over the state of Indonesia. The Money Fund has written to the government of President Abdurrahman Wahid, warning of the risk of a national crisis. "If anyone has anything positive to say about Indonesia, I'd love to hear it," says the fund's MMS International. "If anyone brave enough to take a view to the future with a president who is a seventh-year incumbent — the more cautious may be stocks controlled by the children and their families, including the Citibank group, the brother of a Suharto, PT Bimantara Citra, a company controlled by the president's son, and the toll-road company Marga Nuspahala Persada, owned by his eldest daughter. The Indonesian collapse would have profound effects across the region." The biggest creditor to Indonesia is Thailand's Bangkok Bank, who runs the Economic Risk Consortium. "The Japanese have a death of a debt moratorium secured to death of a debt moratorium," says the fund. "Foreign creditors take these banks have \$182 billion in Asia, according to the Service. Specifically, Dai Bank, the world's largest bank, and Dai-ichi Bank were put on review by the Japanese downgrades because of exposure in Asia." The economic stimulus package falls short of the need, and investors have since rebounded in what's second-largest economy. "I have no hope whatsoever for the market," said Bill Heston, chief hedge fund manager. "It's a down, bureaucratic, and will not be a war in that it will not be a war in the country of real estate. The country of real estate is (a), which will pay for the money with the cash. This cash is the post office into the bank. But when savers start to flee like Merrill Lynch, the world would soon and the year would be activist institutions. With the end of the year coming at the end of the year.

Short Sell, Big Risk

Short sales are a risky strategy. To execute one, an investor must borrow a security and sell it. If the price goes up and the investor repurchases it at a higher price and keeps it to its owner. If the security goes down, the short-seller has to repurchase it for more than the sale price, resulting in a loss. Since there is no limit to the potential for a rise in the price of a security, there is no limit to the potential for a loss.

Boaring Back

THREE YEARS AGO, Joe Rosenberg, chief investment officer of Loew's Corp., told me that airline stocks were a good investment. It was a shocking statement, considering that three years ago, the airline industry had lost 101 out of the 106 airlines. Standard & Poor's had downgraded the industry from a B to a C, and the US Airways Group, the largest airline, had filed for bankruptcy. The company had registered losses of \$2.4 billion. The airline industry had a negative net worth. Rosenberg, who was then an airline analyst, had been paid by a factor of 10 in 1993 late Friday in one

The Art of Avoidance and the Wisdom of Not Investing

Sometimes the best investment is no investment at all. This week, The Money Report looks at securities to avoid, or, if you are an aggressive investor, to sell short.

Long Shadows Across Asia

By Philip Segal

RARELY DO analysts agree on anything, but they are of one mind in their gloom on the subject of Indonesia. The International Monetary Fund has withheld new money to punish what it sees as the failure by the government of President Suharto to take its economic medicine, which only adds to the risk of a national collapse.

"If anyone has anything positive to say about Indonesia, I'd love to hear it," said Kevin Daly, a capital markets analyst at Standard & Poor's M&M's International.

For anyone brave enough to invest in Indonesia with a view to the post-Suharto era — the president was re-elected to a seventh five-year term this week — the more cautious may want to avoid stocks controlled by Mr. Suharto's children and their families. These include the Citibank group, controlled by the brother of a Suharto son-in-law, PT Bimantara Citra, a conglomerate controlled by the president's second son, and the toll-road operator PT Citra Marga Nusantara Persada, controlled by his eldest daughter.

An Indonesian collapse would probably have profound effects across Asia and beyond.

"The biggest creditor to Indonesia is Japan — as it is to Thailand and Korea," said Bob Broadfoot, who runs the Political & Economic Risk Consultancy in Hong Kong. "The Japanese banks are used to death of a debt moratorium — and are also used to death of any move to save the foreign creditors take a loss."

Japanese banks have \$182 billion in liabilities in Asia, according to Moody's Investors Service. Specifically, Tokyo-Mitsubishi Bank, the world's largest commercial bank, and Dai-ichi Kangyo Bank were put on review by Moody's for possible downgrades because of their exposures in Asia.

As one economic stimulus package after another falls short of the mark in Japan, some investors have simply given up on an imminent rebound in what is still the world's second-largest economy. "I have no hope whatsoever for the Japanese stock market," said Bill Kaye of the Pacific Group hedge fund in Hong Kong. "A top-down, bureaucratic-dominated economy cannot and will not work."

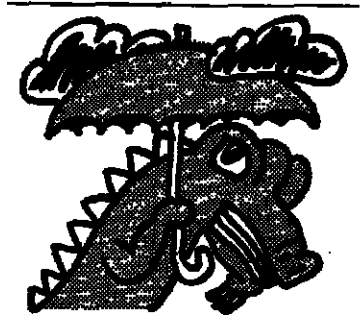
His view is that it will not be fiscal stimulus that finally jolts Japan, but rather the entry into the country of retail foreign institutions (such as Merrill Lynch & Co.), which will provide individual Japanese investors with alternatives to sticking their money in postal savings accounts. This cash is now slowed by the post office into government bonds. But when savers start giving their money to firms like Merrill Lynch, bond yields could soar and the yen would fall as the more activist institutions spread investments into other currencies.

One caveat: With the end of the financial year coming at the end of the

Short Sell, Big Risk

Short sales are a risky strategy because losses are theoretically unlimited. To execute one, an investor borrows a security and sells it, temporarily pocketing the market price. If the bet goes right and the price falls, the investor repurchases it for less than the sales price and keeps the difference after returning the investment to its owner. If the security rises, the short-seller has to repurchase it for more than the sale price, suffering a loss. Since there is no limit to how much a security can rise, there is no limit to the potential loss.

ASIAN INVESTING



- Asian Banks
- Coca-Cola Amati
- Indonesian Stocks
- Japanese Stocks
- Closed-End Funds (Investing in Indonesia, Thailand or Hong Kong and trading at premiums to net-asset value)

month, Japan's authorities are pouring postal savings into the stock market in order to make the stock holdings of banks look good in time for their annual reports. After that, stocks could easily fall anew.

If Japanese banks are to be avoided, so are most other financial institutions around Asia. Prudential Portfolio Managers in Hong Kong does not short stocks, but is underweight in Hong Kong's biggest, HSBC Holdings PLC.

"HSBC looks very expensive versus its history," said Eric Sandlund of Prudential. He is not alone in avoiding HSBC. The Hong Kong hedge fund Hendale Asia is shorting the HSBC subsidiary Hang Seng Bank because of what the manager Henry Lee saw as far too little in provisioning against bad debts for this year.

Thomson BankWatch reported that in 1996, Hang Seng Bank's provisioning ratio was below average for Hong Kong banks as a whole.

At HSBC, Mr. Kaye said: "You can count on the damage being greater than what's known at the moment. You'll see them taking bigger write-offs."

Jim Mellon at Regent Asset Management goes further, recommending a short on most banks in the region, and he is particularly wary of Thailand, where banks will require as much as \$20 billion to recapitalize so that they can return to international markets for loans. That will mean new share issues at discounts to friends and family members even at Thailand's largest financial institution, Bangkok Bank, he said.

Another idea from Mr. Mellon for those who find short-selling Asian stocks inconvenient: short Citicorp or Chase Manhattan Corp., parent companies of two U.S. banks with extensive exposure in Asia and which are selling at three to four times book value. Another tip is to short any closed-end fund traded in the United States that invests in Indonesia, Hong Kong or Thailand and that is trading at a premium to net-asset value.

Malaysia has returned to the headlines with a bang, with weakening banks and another troubling trend: state funds being used to bail out a company controlled by the prime minister's son.

Hugh Young, a fund manager at Aberdeen Asia in Singapore, is also steering clear of many bank stocks, increasingly those in Malaysia.

"We're really just beginning to see the decline in asset quality that we all know has happened," he said.

The central bank said this month that Sime Bank had lost \$412 million in the second half of last year, and would need 1.2 billion ringgit (\$315 million) in new money to stay afloat. The state-owned Bank Bumiputera Bhd. may need 750 million ringgit in new funds. Non-performing loans at Malaysian banks could easily climb to 25 percent, from the 5 percent regulators now claim is the aggregate level.

Another short suggestion is Coca-Cola Amati Ltd., the Australian company that is the world's largest bottler of Coca-Cola outside the U.S.

"It's overvalued versus the market, extremely exposed to the slowdown in consumer stocks," Mr. Lee said.

It is richly priced at 37 times earnings, compared with the price-to-earnings ratio on the All Ordinaries Index of 20. Worse for Amati boosters, it is set to spin off its fast-expanding European operations, leaving Amati with a larger share of Asian bottlers, whose sales are in Asian currencies.

In Europe, Steer Clear of Banks

By Conrad de Aenlle

THE EUROPEAN companies whose shares analysts counsel avoiding fall into two categories. One group comprises strong businesses or industries that have had sharp share-price run-ups that have rendered them too expensive for prudent investment and left them susceptible to negative surprises.

The other group of shunned companies is more unfortunate, for they are firms that are poorly run or in weak industries. Their share prices have languished, yet even at lower prices they are not deemed worth buying, for there seems little hope that their fortunes will turn soon.

Lehman Brothers is generally positive on European banking stocks, as the industry consolidates and interest rates decline. But some lenders, notably in Italy, which has enjoyed one of the most benign banking environments in Europe, have seen their share prices bid up to levels that cannot be supported by their likely profits, Lehman's analysts said.

"The question now is whether the positive factors that have been driving the Italian banks still have further to go or are largely discounted," they said.

They opt for the latter view and suggest that the banks would have to produce unrealistic returns on equity to be as profitable as the market expectations implied in their share prices. The analysts reckon that Istituto Mobiliare Italiano SpA is the most overvalued bank in Europe and was recently trading at 77 percent above its fair value. Less egregiously overvalued Italian banks include Banca Intesa SpA and Istituto Bancario San Paolo di Torino.

Overvalued European banks elsewhere, in their opinion, include Banco Espanol de Credito, known as Banesto; the Swedish Skandinaviska Enskilda Banken; Credit Suisse Group of Switzerland and the British Bank of Scotland; Northern Rock and Woolwich.

A London-based manager for a medium-sized American mutual-fund company included Commerzbank of Germany on his list of stocks to avoid. The manager, who asked that neither he nor his employer be identified, said the bank's shares were priced about 20 percent above their fair value on hopes for a takeover that he said would likely not occur.

"People are expecting the bank to be taken over by another European bank, but Commerzbank is big enough to remain independent and it has said it is not interested in being acquired," he said. An acquisition "is unlikely to happen, and if it doesn't, the stock is not going up at all."

The manager also recommends leaving Compagnie Generale des Eaux alone, arguing that the expansionary French conglomerate is operating in "the worst of all worlds."

"The trend in business is to spin off businesses and simplify structure, but Generale des Eaux is doing the opposite, getting less focused," he said, noting its involvement in telecommunications and publishing in addition to its core water utility. The share price has risen 50 percent in the last six months, he said, and so "all the good news is in it."

Bond Byword Is Restraint

By Barbara Wall

IF THERE HAS ever been a good time in recent months to review bond investments, now may be the moment.

Global bond markets have rebounded since the start of the year and yield-hungry investors may wish to increase their exposure to this asset class, but analysts urge restraint. Asia, in particular, has been singled out by global fixed-income fund managers as a region to avoid.

"The emerging-bond-markets have recovered in recent months, but I would not be jumping into Asia, especially into debt denominated in local currencies," said Rupert Gordon Walker, a fixed-income fund manager with ABR Govett Asset Management Ltd. in London.

"Although yields are very attractive, the currency risk is a major problem for foreign investors," he added. "More bad news is likely, and further reports of corporate insolvencies and nonperform-

industry could rise 20 percent, compared with estimates in the range of 5 to 10 percent. His top three recommendations are AMR Corp., parent of American Airlines, Continental Airlines Inc., and Delta Air Lines Inc.

In the past, even when airlines have done well, they have suffered from a boom-and-bust cycle, keeping investors wary and price-to-earnings ratios low. The typical pattern is for the economy to turn up, causing traffic to strengthen and seats to become scarce, allowing the carriers to raise fares. Then, new planes enter service, increasing capacity — or the economy collapses. Whether because of too much supply or too little demand, the cycle ends, and it often takes a long time to build again.

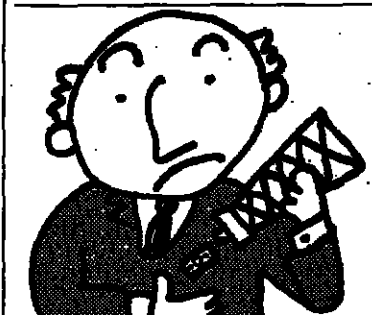
But that may be changing. The big

reason is that airlines — like auto companies — seem to have learned from the past. Mr. Engel said the carriers had restructured in a way "that makes it harder to be stupid." They have decided to defend their own turf, becoming more dominant at their hubs, rather than adventuring into the territories of others.

Also, he said, they have learned to cooperate. In the past, they aggressively added capacity or boosted commissions to travel agents in order to win market share. Now, without exactly colluding, the airlines are moving in tandem.

If one airline offers steak, then the competitors have to follow; no one gets any extra business, but everyone's costs rise. Today, Mr. Engel said, "the competition is for who can have the worst service." As a result, the carriers last year cut food costs

EUROPEAN STOCKS



- Russian Oil Companies
- Fertilizer Companies
- Norsk Hydro
- Peppor
- Instituto Mobiliare Italiano

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Two other stocks on his hit list are used to operating essentially as monopolies and are likely to suffer in new competitive environments, he said. Canal Plus SA of France has been able to offer little to its pay-television subscribers in return for increasing fees and now must face a rival providing far more channels for less money. Canal Plus has also recently expanded into Scandinavia, Italy and the Netherlands, where it is running steep losses, and again must cope with increasing competition, he said.

Deutsche Telekom AG likewise must try to fend off start-up operators in its erstwhile monopoly telephone market in Germany, he said. It will have to cut prices sharply, yet its management has not taken steps to cut costs to compensate.

Goldman, Sachs & Co. is shunning makers of commodity chemicals, such as fertilizers, because they are vulnerable to being undercut on price by Asian rivals. The firm rates four fertilizer producers as "market underperformers": Solvay SA of Belgium, the Dutch companies DSM NV and European Vinyls Corp. International, and Kemira Oyj of Finland.

The poor rating on commodity chemicals is hardly a revelation. The four stocks have drastically underperformed their respective markets for several years, the worst being EVC, which lags the broad Dutch market by 80 percent since 1995. Goldman's analysts held out some

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Continued on Page 17

BOND MARKETS



- Asian Dollar-Denominated Corporate Debt
- Ecuador and Venezuela
- Italy
- Japan

ing bank loans could spook the foreign exchange markets."

Daniel Hemmatt a fixed-income fund manager with the London-based Guinness Flight Hambro Asset Management

Continued on Page 17

U.S. Turnaround For Short-Sales?

By Judith Rehak

SHORT-SELLERS in the United States have had a miserable decade. "It's been ugly," admitted Michael Long of Rockbridge Research, a company in Charlotte, North Carolina, that gathers data on short-selling from big institutional players and hedge funds. "A lot of people have dropped out of the business."

Short-sellers have lost money or barely managed to stay even every year since 1990 except 1994, according to Mr. Long's quarterly survey of 25 leading players. But lately things have started to turn around, he said, notably in the fourth quarter of last year, when short-sellers won big on plummeting high-technology stocks. As a result, his survey shows that short-sellers came out ahead by 12.5 percent in 1997.

Indeed, short-selling strategists claim they are seeing renewed interest, as investors seek defensive plays amid fears that the U.S. stock market is wildly overvalued and riding for a fall.

Candidates for short sales fall into several categories. Michael Reilly, portfolio manager of the \$90 million Alliance All-Market Fund occasionally puts a modest 5 percent of his portfolio into shorting stocks of companies whose earnings are deteriorating, but are not fully reflected in the share price.

"The overall market is pretty high now," he said, "so companies that disappoint are likely to get bloodied."

Currently, his shorts are the micro-chip-maker Advanced Micro Devices Inc., which announced two weeks ago that it would report a significant loss for the first quarter of this year.

"They just can't compete with Intel," Mr. Reilly said, referring to the world's largest chip-maker, which has rolled the technology sector with its own profit warnings.

A more off-beat pick is Polaris Industries Inc., a maker of snowmobiles, whose sales he expects to be hurt by the unusually warm winter in the United States.

Michael Murphy, editor of the Overpriced Stock Service in Half Moon Bay, California, likes to shop for short sells in "the excesses of momentum players." Momentum investors pile into stocks as long as they keep rising, creating wildly overvalued share prices that are ripe for sudden plunges at the first sign of trouble.

Airlines are "out of whack" right now, in Mr. Murphy's opinion.

"Wall Street has just been buying the whole sector in baskets," he said.

Most vulnerable, he believes, is Northwest Airlines Corp., whose share price has soared 50 percent in the last four months, and the United Airlines parent, UAL Corp., which has also rallied, despite significant exposure to Asia's financial turmoil.

Northwest recently suspended three of its weekly flights to South Korea from the United States, and United canceled one of its two daily non-stops between San Francisco and Hong Kong.

"And they both have major hubs in Tokyo," Mr. Murphy added.

Another target of short-sellers are companies with product-liability disasters, which create "event-driven" shorts, and astronomical litigation costs.

Here, Mr. Murphy's top candidate is the pharmaceutical-maker American Home Products Corp., which has been hit by a storm of negative publicity over fentanyl, a diet medication that has been linked to heart problems.

"The liabilities are larger than what Wall Street thinks," he said, "and I want to be short when the class-action suits start."

Mr. Long of Rockbridge Research does not make recommendations, but keeps track of the companies that are most heavily shorted by big institutional investors and hedge funds.

Lately, Nike Inc., the athletic-shoe maker, has been showing up in his database. Its shares are already in a slump, but short-sellers contend they will fall farther, he said. Among Nike's problems is the fact that fashion-conscious teenagers, who constitute one of its

by more than \$300 million.

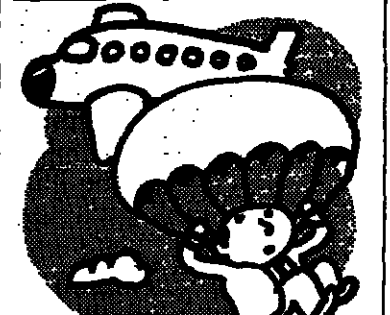
In 1995, Mr. Rosenberg predicted that agent commissions were on the way down. That has happened, and the airlines have saved \$2 billion a year. But the largest savings are in capacity. The companies are not ordering many planes, content to grow slowly.

Of course, said Mr. Rosenberg, "this has made flying a lousy experience," which has enhanced the fortunes of makers of business jets. It is also possible that the game will end if one big airline or new upstarts try to grab market share. But, for now, the profit picture is rosy.

The airlines have benefited from the current economic boom, which has not been accompanied by higher fuel prices; in fact, oil recently hit a 10-year low, and the carriers are using powerful computers to keep load factors high through manipulating fares.

All of these changes are impressive,

U.S. EQUITIES



- Airline Stocks
- Northwest Airlines Corp., UAL
- Nike
- Advanced Micro Devices
- American Home Products Corp.
- Polaris Industries Inc.

major markets, are switching to boots and other footwear.

"Short-sellers are saying that Nike was nothing more than a big fad, and that fad is reversing," Mr. Long said.

Considering a short sell and actually carrying it out are worlds apart. Even advocates warn that it is a high-risk business, dominated by an array of hedge funds, institutional players and high rollers who follow trading action minute to minute, making billion-dollar bets that can send shock waves through a stock or sector and inflicting heavy losses on small investors.

For those determined to try it out, strategists advise holding down risk by diversifying among as many as a dozen companies, and setting stop-loss orders with a broker, so that shares are repurchased automatically if the price goes up instead of down. Mr. Murphy, for example, sets a stop-loss price at 25 percent above where shares were sold.

Nor is it wise to hang on too long, lest a falling stock rebound. Mr. Murphy said. He seldom holds a short position more than five months and warns that any longer is "dangerous."

American investors now have a less-risky way of dipping a toe into the perilous waters of short-selling. Following a relaxation in U.S. tax rules, which sharply restricted how much income a mutual fund could gain from short selling, two funds were recently introduced for individual investors.

Both take large short positions, but are more conservatively run than high-flying hedge funds — for example, they shun currencies and commodities, two favorite arenas of the big off-shore players. Another advantage is that their entry fees range from \$2,000 to \$2,500, compared with the steep six-figure minimums required by big hedge funds.

The \$174 million Barr Rosenberg Market Neutral fund uses a complex computer program that spreads risk by taking small stakes in 1,000 stocks, half in short positions in overvalued companies expected to decline and half used to buy undervalued companies expected to rise. The fund's objective, said Richard Saalfeld, president of the money manager in Orinda, California, is to provide returns of roughly 12 percent annually.

"If there's a 10 percent rise in a stock, we'll realize that gain, and we'll take very little on the short side, versus 40-50 percent like a typical hedge fund," Mr. Saalfeld said. Revenues from selling stocks short are deposited in a money-market fund, creating a third source of income.

A second offering is the actively managed Montgomery Global Long/Short Fund, started Jan. 1 by Montgomery Asset Management in San Francisco. About 30 percent of its \$15 million portfolio is in short positions, some of it in battered real estate and banking stocks in Singapore, said Mark Geist, Montgomery's president.

"We believe interest rates there are going to stay higher, putting a squeeze on margins, and these stocks will not fare very well," he said. The fund is up 17 percent since its inception.

For further information:

- ALLIANCE ALL-MARKET ADVANTAGE FUND, Closed-end fund listed on the New York Stock Exchange. Telephone, 1 212 850 2100 or call-toll-free in the U.S. 1 800 221 5672.
- BARR ROSENBERG MARKET NEUTRAL FUND, Telephone, 1 415 470 6000 (ask for Barr Rosenberg services), or toll-free in the United States, 1 800 447 2722.
- MONTGOMERY GLOBAL LONG/SHORT FUND, Telephone, 1 415 246 6475 or toll-free in the United States, 1 800 572 3861.
- OVERPRICED STOCK SERVICE, Telephone, 1 609 762 5605.
- ROCKBRIDGE RESEARCH, Telephone, 1 704 543 4890.

Soaring Bulls: Is There Still Time for a Ride on High-Flying Airline Stocks?

THREE YEARS AGO, my favorite contrarian, Joe Rosenberg, chief investment officer of Loew's Corp., told readers of Barron's that airline stocks were a great buy. It was a shocking statement. Over the three previous years, airlines had ranked 101st out of the 106 groups tracked by Standard & Poor's Corp.; share prices were down 35 percent.

Mr. Rosenberg liked all the companies, even US Airways Group. This was doubly shocking. The company was on the brink of bankruptcy; from 1989 to 1994, it had registered losses every year, a total of \$2.4 billion. The balance sheet showed a negative net worth, and the stock had tumbled to \$7 from \$31.

But Mr. Rosenberg, who started on Wall Street as an airline analyst, was right on the money. Shares in US Airways have risen by a factor of 10 since 1995 to \$73 late Friday in one of the

great turnarounds of all time. The other airlines are soaring, too. The big question now is not whether the carriers will go bankrupt, but whether investors are too enthusiastic about them. Is it too late to buy these high-flyers?

"I am not a bull in any equities," Mr. Rosenberg said, adding that he now believes the market as a whole is overpriced. "But, if I were a competitive money manager, I would be overloaded in this group."

In fact, by the standards of the current market, airlines look like bargains. They seem to provide the best of both worlds: growth stocks at value prices.

"The stars are aligned," said Glenn Engle of Goldman, Sachs & Co. He added that investors keep underestimating the earnings of the carriers, so that, even though prices are rising, they may be much lower than they should be.

This year, he said, earnings for the

industry could rise 20 percent, compared with estimates in the range of 5 to 10 percent. His top three recommendations are AMR Corp., parent of American Airlines, Continental Airlines Inc., and Delta Air Lines Inc.

In the past, even when airlines have done well, they have suffered from a

boom-and-bust cycle, keeping investors wary and price-to-earnings ratios low.

The typical pattern is for the economy to turn up, causing traffic to strengthen and seats to become scarce, allowing the carriers to raise fares. Then, new planes enter service, increasing capacity — or the economy collapses. Whether because of too much supply or too little demand, the cycle ends, and it often takes a long time to build again.

But that may be changing. The big

reason is that airlines — like auto companies — seem to have learned from the past. Mr. Engel said the carriers had restructured in a way "that makes it harder to be stupid." They have decided to defend their own turf, becoming more dominant at their hubs, rather than adventuring into the territories of others.

Also, he said, they have learned to cooperate. In the past, they aggressively added capacity or boosted commissions to travel agents in order to win market share. Now, without exactly colluding, the airlines are moving in tandem.

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The airlines have benefited from the current economic boom, which has not been accompanied by higher fuel prices; in fact, oil recently hit a 10-year low, and the carriers are using powerful computers to keep load factors high through manipulating fares.

All of these changes are impressive,

but the main reason I like airlines is that they fit in with one of my four favorite themes for the 21st century: travel. The others are delivery services, biotechnology and for-profit education.

But be warned that picking the right industries does not always mean picking stock-market winners. "It has long been the prevalent view," wrote Benjamin Graham in "The Intelligent Investor," "that the art of successful investment lies first in the choice of those industries that are most likely to grow in the future and then in identifying the most promising companies in these industries."

Unfortunately, as logical as this approach may sound, it often fails, and Mr. Graham points to airlines as proof. In fact, back in 1949, he warned against buying such stocks, and he was right.

Continued on Page 17

Your Global Investment Manager.

profits. The company has been the beneficiary of the oil price drop, until it was able to raise its price of oil. The company's stock has been the beneficiary of the oil price drop, until it was able to raise its price of oil. The company's stock has been the beneficiary of the oil price drop, until it was able to raise its price of oil.

THE MONEY REPORT

A Global View of Where Abstinence May Be the Best Investment

For Bonds, Asia Is 'Bad News'

Continued from Page 15

Ltd., also is uncomfortable with Asian debt denominated in hard currencies because of the default risk.

"I would generally advise investors to steer clear of all nonsovereign, U.S.-dollar denominated Asian debt, or, at the very most, restrict exposure to top-tier corporations, such as quasi-sovereign agencies or solid utilities companies," he said. "I would especially avoid investing in debt issued by companies in the banking and property sectors. Although the yields here are fantastic — upwards of 50 percent in many cases — the risk is at the extreme end of the risk spectrum."

"The Asian banking system is rotten and property companies are barely managing to keep afloat as a result of overbuilding programs."

SOME MARKETS in Asia are considered to be safer bets than others.

Mr. Hemmatt said that he would feel happier investing in South Korean debt than, say, in Indonesian debt. He stressed, however, that while many South Korean corporations offered value, they were often hugely over-

leveraged and had the same transparency and liquidity problems as corporations in Indonesia and Thailand.

South Korea is favored over other Asian markets primarily because viable fiscal policies have been adopted to deal with the crisis, Mr. Hemmatt added.

Latin American bond markets continue to do well, and analysts are generally bullish on the region, but some markets are still less fashionable than others.

Peter Scott, chief executive of Beta Funds in London, cited Ecuador and Venezuela as the two markets in the region in which he would like to be at the moment.

"Ecuador did well in 1997: It moved from being a complete outsider and an above-average risk to being a relatively attractive investment," Mr. Scott said.

"I would still be reluctant to invest in the bond market, however," he added.

"Ecuador is a long way off from getting IMF support because government fiscal policies have fallen way short of reaching the required targets. On balance, there are probably much better opportunities for good yields elsewhere in Latin America."

He placed Venezuela in the same category as Ecuador.

"Although the sovereign- and corporate-bond markets have not done too badly," Mr. Scott said, "government economic reforms are not sticking and the economy has suffered a further setback recently following the drop in oil

prices."

Mr. Gordon Walker of ABR Govett said that while he liked the Mexican bond market, he would be cautious of investing in peso debt there.

"The currency is vulnerable to further depreciation because of a deteriorating current-account situation brought on by cheap exports to the United States from Asia," he said. "It would probably be prudent to wait until the currency weakens before investing in the market."

FOR THOSE in search of high yields, Continental Europe may not be the ideal place to be.

Many bond-fund managers have indicated that they intend to pursue a defensive European investment strategy and will restrict portfolio exposure to a handful of core markets.

"European markets may be modestly overvalued," said Paul Craven, a fixed-income fund manager with Schroder Unit Trusts Ltd. in London. "When the consequences of the financial crisis in Asia finally hit home, we could see bond prices fall."

While I do not expect to see a large-scale sell-off of bond holdings," he added, "I would be cautious of investing in some European markets with yields at their current low levels."

Italy was recently popular, but it has fallen out of favor with investors.

"Value in the peripheral markets of Europe has been extracted in the run-up to EMU," Mr. Craven said, referring to Economic and Monetary Union, which is scheduled to begin next year. "And there is no longer much upside to be gained holding Italian or German bonds relative to U.S. bonds."

In Italy's case, there is the added risk that it will not join EMU. Should this unlikely scenario occur, the Italian bond market could do very badly."

Even if Italy does join EMU on time, Italian bonds may still not offer much value," he added. "There will need to be a yield premium on Italian bonds relative to German bonds."

because of Italy's lower credit rating, but it is thought unlikely that the yield premium will be sufficient to entice investors into the market."

The Japanese bond market also has been largely ignored by international investors in recent months. Although analysts expect the economy to remain weak, bond yields are still unattractive and are forecast to remain so for some time.

"The yield differential between U.S. Treasury bills and Japanese government bonds is close to its 10-year high point of 4.5 percent," Mr. Craven noted.

"The lowest yield differential in the past 10 years has been 0.5 percent. I expect to see many more Japanese investors switching out of Japanese bonds into U.S. bonds for the yield pickup."

Strong and Weak On Europe's List

Continued from Page 15

hope for a recovery, but not for a while.

"It is possible that as 1998 progresses, a case will develop for taking a more positive view of the outlook for commodity chemicals, when it is possible better to assess the impact of developments in the Asian economies and especially if U.S. dollar strength continues to provide some protection for European markets," they said in an industry report.

That sentiment sums up the attitude of analysts at Salomon Smith Barney toward Norsk Hydro ASA, the Norwegian oil company that a fourth quarter that did not meet earnings expectations, dragged down mainly by weakness in its fertilizer business, and they expect coming periods to offer little scope for improvement.

Sticking with the theme of foul substances that no one wants to buy, John Paul Smith, who follows Russia for Morgan Stanley, Dean Witter, Discover & Co., urged investors to avoid the oil companies that dominate Russia's stock market.

"Having held up relatively well until the last weeks of February, the three main oil stocks — AO Lukoil Holding, Surgutneftegas Oil Co. and AO Tneft — have started to underperform the broader market due to concerns about the low

level of the oil price," Mr. Smith said.

"We think that such concerns are more than justified, since at current price levels, exports are unlikely to be profitable. Accordingly, we expect further underperformance unless there is a sustained recovery in the price of crude oil."

Russia is in a delicate situation because of the unresolved Asian crisis, which has hit most emerging markets, and the severe fall in oil prices. The short-term outlook for the financial markets, Mr. Smith said, "is likely to be somewhat confusing, particularly for equities, which could suffer a further correction as expectations for economic growth this year recede and investors become increasingly aware of the potential bad-debt problems."

Tessa Christells at ING Barings encourages investors to sell a South African retailer, Pepkor Ltd. Shares have more than doubled since the start of 1997, leaving it with little room for further improvement, given the difficult environment for retailers in South Africa, Ms. Christells said.

Pepkor is a holding company for several chains of stores in South Africa, other parts of Africa and in Europe and Australia. The market shares of some of its companies are so high, she said, that there is little opportunity for further growth.

Totting up the values of Pepkor's various components, she figures the company is worth little more than its current price of about 3,300 rand and so will lag the broad market over the next year and may even decline.

BRIEF CASE

For Global Investors, A Big, Mixed Bag of ADRs

The list of opportunities for investors who prefer to buy their global stocks in the form of American depositary receipts is growing and diversifying.

A total of 1,358 non-American companies from 49 countries are available as dollar-denominated ADRs, according to a year-end 1997 survey by the Bank of New York, a major depositary. The survey covered shares of non-U.S. companies trading on the New York Stock Exchange, the Nasdaq market, the American Stock Exchange and over the counter.

ADRs and their cousins, global depositary receipts, are certificates that represent ownership of foreign companies. In the case of ADRs, an American bank purchases shares of an overseas company and issues certificates that are sold and traded like regular stocks. The certificates can represent one, several or a fraction of the underlying shares, which remain in the bank's vaults. The bank collects and passes along to ADR holders dividends for those stocks that pay them.

Many of the new ADRs reflect global corporate trends. The merger of Britain's Guinness PLC and Grand Metropolitan PLC produced Diageo PLC. From Germany, one of the last developed countries to list depositary receipts because of a reluctance to meet U.S. accounting regulations, came Veba AG, the electric utility, and Hoechst AG, the chemicals and pharmaceuticals company.

Privatizations have created a host of new depositary receipts, ranging from Electricidade de Portugal to Ente Nazionale Idrocarburi SpA, Italy's petroleum exploration company; ADRs for newly privatized telephone companies include Magyar Rt. of Hungary, the Australian telecommunications company Telstra Corp., France Telecom SA, Portugal Telecom SA and Hellenic Telecommunications Organization SA.

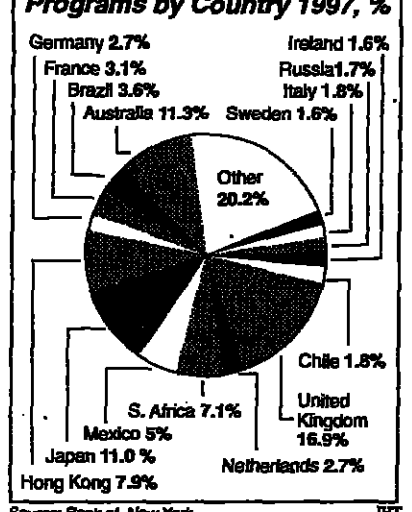
Emerging markets are among the biggest participants in the ADR universe. Investors who favor more exotic opportunities can now buy dollar-denominated shares in companies such as Arab Potash Co. of Jordan, China Eastern Airlines Corp., and Kazkommerbank, Kazakhstan's biggest financial institution.

Trading activity in ADRs and global depositary receipts is undergoing a growth spurt as well. Volume hit 15 billion shares in 1997, a 23 percent increase over 1996, and dollar value leaped to \$555 billion, a 53 percent increase over the previous year. (IHT)

For further information: A list of new ADRs and a list of depositary receipts, including those trading in London and on the Internet, are available on our website: www.bnyadr.com

GLOBAL INVESTING, a newsletter, publishes a guide to ADRs. The 1998 guide costs \$79.95 plus \$10 for postage and handling. An ADR-comparable discount rate is available at the publisher's website: www.globalinvesting.com. The guide can be ordered for \$129.95. Call 1-800-425-7788 or fax 1-970-221-3964. A sample issue of the newsletter, which covers news about ADRs, can be obtained by calling or faxing these numbers. No annual subscription costs \$245.

Depositary Receipt Programs by Country 1997, %



Source: Bank of New York

Stability and Reform Buoy Brazil Amid Asian Turmoil

Political stability and strong commitment to reform will support Brazilian shares despite emerging-market turmoil, according to Latin American fund managers based in London.

Investors also applauded President Fernando Henrique Cardoso of Brazil for taking the necessary steps to protect the economy against fallout from the Asian financial crisis.

At the height of the Asian morass, the Brazilian government tightened both fiscally and monetarily to stem speculative attacks on its currency — but at a price.

"That has reduced growth prospects and we are expecting GDP to be down this year to between zero and 1 percent, from 3-3.5 percent last year," a Latin American investment strategist said.

Still, investors believe that Sao Paulo's Bovespa stock exchange offers good value.

"We believe the markets are cheap because not everybody is convinced" of the reform agenda by the Brazilian government, the manager added. "But short of a financial meltdown, the government will go through with its privatization program."

Invesco Asset Management Ltd. was underweight in most sectors, but overweight in the electricity and telecommunications areas, which are being privatized.

But fallout from Asia could still be a problem. "Reforms seem to be working, but if there is a setback in Indonesia, the whole emerging-market sector could head south," a Latin American economist said.

Mr. Cardoso is seeking re-election in October and investors believe that a victory by him would be "a mandate for further reform," according to Philip Ehrmann, head of emerging markets for Gartmore Asset Management Ltd.

"We have been very encouraged by the program of the past two to three years under Cardoso and the real plan has been an unequivocal success," he

said. "We are beginning to see the results. The current-account problem has been reined in and the trade numbers are better than expected."

Gartmore was overweight Brazil, slightly overweight Mexico and underweight Colombia and Venezuela because of low oil prices and their less-stable politics, Mr. Ehrmann said.

"Brazil has performed very well over the past few years and the stock market is among the cheaper assets in Latin America," he added. "Telecoms, electricity, pulp and paper have been recognized as standing at attractive valuations." (Reuters)

Fidelity Plans Direct Sale Of New Fund Line in Japan

Fidelity Investments, the largest mutual-fund company in the United States, is sticking to direct sales of funds in Japan next month, hoping to attract more of the 1,200 trillion yen (\$9.28 trillion) in financial assets held by Japanese individuals.

Boston-based Fidelity, which now offers six types of funds through Japanese banks and brokers, is awaiting approval from Japan's Finance Ministry for a new line of funds that it will offer directly to the Japanese public, said Teri Kilduff, a spokeswoman at Fidelity Investments Japan Ltd.

"We're looking forward to providing a full line of services to customers in Japan through multiple channels," she said.

Fidelity and other fund companies hope to persuade the Japanese to stash less cash in low-yielding bank accounts, where they keep 60 percent of their money. That is three times the rate of U.S. investors. Japan's 40 trillion yen mutual-fund industry is about one-tenth the size of that in the United States, and is smaller than the \$605 billion managed by Fidelity alone.

Fidelity has amassed about 79.1 billion yen in Japan through investment trusts, according to the Investment Trusts Association. Investment trusts are akin to U.S. mutual funds.

Through direct sales, Fidelity will bypass the big domestic brokers like Nomura Securities Co., which have virtually monopolized fund sales in Japan, and the banks, which are expected to receive permission this year to sell funds in their branches. Fidelity will also continue to sell through banks and brokers, Ms. Kilduff said.

Fidelity will not be the first foreign company to attempt direct sales in Japan. Mercury Investment Trust Management Co. started direct sales in June 1996 and Invesco Asset Management (Japan) Ltd. began direct sales about two years ago, officials at the companies said.

Among foreign fund companies in Japan, Goldman Sachs Investment Trust Management Co., which introduced its first fund in Japan in June 1996, has gathered the most cash, with about 738 billion yen, according to the Investment Trusts Association. Alliance Capital Investment Trust Management Inc. of the United States is next, with 423 billion yen. (Bloomberg)

'Mudslinger' or Market Purist?

Short-Selling Broker Views Himself as a Crusader Against Fraud

By Leslie Eaton

STATISMAN HAS a better reputation in financial circles than short-selling — the practice of betting that stocks will fall.

Although short-sellers say, with some justice, that they are often on the side of the angels when it comes to investing, they have a few things in common with devil-worshippers: They look larger than life in the popular imagination. They are blamed for natural and man-made disasters. Above all, they tend to conduct their activities in secret.

But not Manuel Asensio. Far from sticking to the shadows, Mr. Asensio, the proprietor of a small brokerage firm that bears his name, actively courts the limelight. He publishes his research on the Internet and even puts out news releases announcing his "sell" recommendations.

Recently, Mr. Asensio has taken to writing letters to the mutual-fund companies and money managers who favor the companies he pans, accusing them of manipulating stocks or breaching their duty to their shareholders. In December, he went a step further, asking New York City's pension fund to dismiss a money manager for investing in a company that has been accused of stealing its products from a rival.

All of which is making even his fans wonder if Mr. Asensio's tactics are a bit out of control. His critics and targets use terms like reprehensible, hysterical, outrageous and loathsome.

Mr. Asensio is unbowed. "I have an inability to tolerate improper actions," he said recently. He is proud of his accomplishments and of his profession, which he describes as a "free-market solution to persistent stock fraud."

The controversy over Mr. Asensio is re-igniting the debate over short-selling and the role it plays in the stock market.

The stakes may now be greater than ever, as record sums pour into a soaring stock market. Amateur investors are often particularly drawn to the world of small-capitalization stocks, where the most promising new companies are poised — and where the most damaging scams and hype occur.

Regulators tend to take short-sellers' claims of virtue with a grain of salt, but do not discount them entirely. The shorts "are not simply market purists — they're basically out to make a buck," said William R. McLucas, director of enforcement for the U.S. Securities and Exchange Commission.

That said, in a number of instances short-sellers have identified bad companies, and you can argue that they have performed a public service."

While the stock market has risen about 20 percent a year since 1993, the typical short-seller lost more than 14

percent a year, according to Managed Account Reports/Hedge, which tracks private investment pools.

Short-sellers borrow stocks from their owners and sell the shares, hoping to buy them back at a lower price, pocket the difference, and return the shares. The shorts take the risk not merely that the shares will rise, but also that the original owner will demand them back at an inopportune time.

Even in favorable (i.e., falling) markets, a certain degree of self-confidence — even self-righteousness — is probably a necessary part of every short-seller's psychology. These are qualities Mr. Asensio has in spades.

Born in Cuba, he came to the United States in 1961 at age 6 and grew up in Brooklyn. He graduated from the Wharton School at the University in Pennsylvania and worked for several years in Venezuela before returning to the United States to get a master's degree in business administration from Harvard in 1982. It was there that he bought his first stock. "I was hooked," he said.

After he got his securities license, Mr. Asensio was affiliated with more than a dozen firms before he founded Asensio & Co. in 1993.

His firm's license from the National Association of Securities Dealers initially limited the amount of trading he could do, a limit he quickly surpassed. He settled a NASD complaint in 1994 and paid a \$7,500 fine. Mr. Asensio did not start out on the short side — one of his first reports for his new company was a bullish analysis of Coca-Cola Co. For the most part, he said, he practiced what Wall Street calls risk arbitrage, betting on the outcome of takeovers and mergers.

But in 1996, Mr. Asensio became involved in a battle — over Diana Corp. — that would change his life. Diana, a none-too-successful meat distributor, suddenly announced that it was in the telecommunications business and was somehow a play on the Internet. The stock soared from under \$16 a share to more than \$100 in three months.

But skeptical investors took a hard look at the company's management, and the way it had acquired its technology. Short interest in the stock — the number of shares borrowed and not returned, which can be a rough measure of how negative investors are on a stock — shot up, too.

Mr. Asensio told investors to short the stock in early June 1996, contending that it was "grossly overvalued." In October, he did something radical and remarkable: He opened a Web site to publish an engineering study of Diana's technology.

Short-sellers normally stay underground because they fear losing access to a company's management and, perhaps, becoming targets of a dreaded "short squeeze," in which companies

try to get their shareholders to call back borrowed stock. In any event, a widely publicized short becomes difficult to execute, short-sellers say, because it becomes hard to borrow shares.

Mr. Asensio called worries about "squeezes" "paranoia," and he manages to get information by using analysts who are not in his office and do not use his name. His motives are also a little different from many short-sellers who manage investment pools; he has a small fund, he said, but makes most of his money from trading for his own account and from commissions on trades sent to him by institutions, where his high profile may be an advantage.

But his main motivation, Mr. Asensio said, is that he wants investors to understand his reasoning. "It is a problem, the fact that short-selling research is not transparent, not widely available, not widely discussed," he said. "If it's all done verbally, with nods and innuendos, then it can be held up to ridicule."

Diana quickly retaliated, issuing a news release contending that Mr. Asensio had tried to bribe analysts to issue negative reports on the company, which he says was a trumped up accusation designed to push up the company's stock. Diana went further, he said, digging up a quarter-million-dollar judgment that an ex-client had gotten against him in Florida in 1989. The judgment against Mr. Asensio was by default, meaning that the plaintiff, Norman Murphy, won because Mr. Asensio failed to respond.

Eventually, Diana collapsed; the stock was kicked off the New York Stock Exchange, and now trades over-the-counter for less than \$5 a share under the name Coyote Network Systems Inc.

The fiercest battle Mr. Asensio has waged is over Avant Corp. The company was formed by former employees of its chief rival, Cadence Design Systems Inc., which in 1995 sued Avant and its executives for theft of trade secrets, an accusation Avant denies. A federal judge has issued a temporary restraining order prohibiting Avant from selling, some software, which the company says it had discontinued in any event.

In August, Mr. Asensio said the market was not taking Avant's legal troubles seriously enough; since then, the stock has fallen from as high as \$35 a share, to about \$15.

What really stirred things up were Mr. Asensio's letters to some money-management firms with investments in Avant, accusing them of recklessness in buying the stock, a charge they deny. He then wrote to New York City's pension fund, telling it that it should disinvest. Amerindo Investment Advisers for risk-retirees' money on Avant. The fund continues to employ Amerindo, which still owns about 20 percent of Avant.

New York Times Service

A Ride on High-Flying Airline Stocks

Continued from Page 15

"It was, of course, easy to forecast that the volume of air traffic would grow spectacularly over the years," he wrote. "But despite the expansion of revenues — at a pace even greater than — at the computer industry — a combination of technological problems and overexpansion of capacity made for fluctuating and even disastrous profit figures."

Profits drive stock prices, and rising sales do not always translate into rising profits. That has certainly been the case with airlines, which, until recently, have barely been able to eke out a decent living.

For example, UAL Corp., parent of United Airlines, lost money in four of the seven years from 1987 to 1993. As

recently as 1995, it had a negative net worth. For the decade ending in 1996, profits for Delta, long considered the most solid carrier in the skies, averaged \$50 million annually, or just 0.5 percent of sales.

During the bull market of the past 15 years, the Standard & Poor's 500 stock index has returned an average of 18 percent annually, but Delta has returned just 8 percent and AMR Corp., the parent of American Airlines, 11 percent.

But, recently, because of the changes cited by Mr. Engel and Mr. Robertson, investors have started bidding up the prices of airline stocks. US Airways is the big story. Its stock has more than tripled in the past year, attracting some heavy hitters. Tiger Management, the hedge fund run by Julian Robertson, now

owns 18 percent of the company; George Soros, the most famous money manager in the world, owns 4 percent. Mr. Soros also owns 3 percent of Continental, which is up 97 percent in the past 12 months. In that period, AMR

has risen 63 percent, UAL, 28 percent, Northwest, 59 percent, and Delta, 40 percent. The low-cost carrier Southwest Airlines Co. has risen 90 percent in the last year. But are these stocks too expensive to buy? Washington Post Service

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الاصول 25

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999 Other Funds

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Fashion

Lagerfeld's 'Cosmovision' a Winner for Long-Line Chanel

By Suzy Menkes

PARIS — A powerful collection from Chanel on Friday, spanning the divide between Coco in the 1920s and the year 2000, has laid to rest one of fashion's most persistent myths: that a designer can serve two masters.

Since Karl Lagerfeld stopped trying to be a fashion superhero doing four collections each season, he has come back on track. Or maybe Lagerfeld has just played it long. If so, the sleek collection of pencil-stroke skirts and fragile jackets that he sent out on Friday proves just how smart he is.

Showing in the clean, white space that will be the auction house Christies' Paris headquarters, the models walked out in slender, graphic clothes, topped and tailed with helmet-cloche hats and white ankle boots and with a new space age capsule of a purse. The daylight that illuminated their coiled braids and showed the outline of their legs through the featherlight tweed skirts, reinforced the impression that, although there were references to the flapper years, those clothes could have walked outside.

"Cosmovision" was Lagerfeld's take on what he called a Chanel evolution. Occasionally, the elongated cardigans or three-quarter checked tweed coats over the ankle-length skirts may have looked like Bloomsbury revisited, but featherlight mohair or chiffon made the long line supple and graceful. And using the pleats that are a strong trend of the fall season, Lagerfeld galvanized the bourgeois Chanel suit. He used stitched pleats for jacket or long skirt and for belted coats. Each was a winner.

"I started by thinking of Chanel in her white helmet in the 1920s, then the white boots to give a freshness to the fluid silhouette," Lagerfeld said. "The skirts are very light and comfortable. They are the opposite of constricting."

With the long silhouette the designer was prolific and inventive, especially for the many jackets with gently flaring sleeves. Although the color palette was mostly quiet, there were some juicy berry purples in mohair. Then there were the dresses, sapling slender, and tied at the back, or cut like a shirt.

Even the Chanel logo, which Lagerfeld has recently treated as an embar-



Chanel's jacket and long-line skirt with helmet hat and space age boots, and Galliano's lingerie flapper dress.



Christopher Moore/Andrew Thomas

assment, was rethought and modernized, as double Cs on dull silver buttons, as paint-brush letters on a trench raincoat or even worked in black lace.

Among the chic evening looks, none was so lovely as the cream satin shirts over long black skirts. They reeked like a classy fragrance of Chanel.

It is now obvious that the idea of the designer mercenary that Lagerfeld launched was really a nonstarter. No designer—however intelligent and creative—can atomize a design personality. It is a plus for fashion that Lagerfeld now has a clear focus.

The perils of straddling two houses was pointed up when John Galliano sent out a strong show for his own label, in which he managed far more success-

fully than in his earlier Dior line to capture his spirit in ready-to-wear.

Galliano's deliciously decadent cabaret show—all corsets, feather boas and fishnet hose (and that's just for the male extras)—brought out the best in the designer. The clothes were light-handed, the mood lighthearted and behind the Fellini-esque fat ladies and the cascade of soap bubbles and banknotes, was a sumptuous collection of intricately crafted pieces. But they weren't any new departure for Galliano: His bias-cut and flapper dresses are now classics and the Paul Poiret-style coats were makeovers from January's Dior couture.

Imagine Vienna of the Weiner-Werkstatt and the Weimar eras, as filmed by Visconti, and you get the

heady mix of libertine sexiness with art and craft. Linear patterns inspired by Gustav Klimt paintings gave a decorative spine to the sinuous silhouettes.

The show opened on a witty note with blue-stocking types invading the lounge scenario to distribute a "Fashion Manifesto," stating: "We believe in the celebration of the female body! The symbiosis of abstraction and ornamentation! The cult of manual and applied techniques! Sex! Poetry! Romance! Glamour!"

Galliano delivered just that with his collection of primarily evening clothes, always with subtle effects of Symbolist print on velvet, appliques on lamé, lacy knit stitches or chiffon decorated with geometric rhinestones. The cocoon coats still looked melodramatic, but a perfectly executed riding coat and suits with sparrow-small bodices and slim skirts were just dressy daywear.

Of course it was retro, in that everything is retrieved from fashion history. Occasionally, the show descended to camp theatrics. But Galliano, on form, knows how to manipulate images from the past, giving them a modern edge. The show had the sense of controlled opulence and elegance that was so lamentably absent from Dior.

Seeing the problems of designer mercenaries who work both for their own labels and as hired hands, the strategy of LVMH Moët Hennessy Louis Vuitton has been to invest in the fledgling designer companies. This is the case for both Galliano and Marc Jacobs, the designer for Vuitton.

But the departure, announced Friday, of Francois Baulme as president-CEO of Christian Dior will deprive Galliano of a fashion manager who has reorganized his tiny company and tripled its annual turnover. Baulme's position will be taken by Sidney Toledano, his former deputy.

Baulme was formerly owner of

Kenzo and was responsible for turning that company into a successful brand. Although Kenzo Takada himself took a bow at the end of his show Friday, the house no longer has a creative edge. The staging was fun, with an Orient Express train set, from which models emerged in well-tailored tweed pantsuits and travel coats, before going off into a welter of Oriental outfits at night.

After years of hand-to-mouth existence, Vivienne Westwood is finally building a brand. But all she seems to sell these days is sex. Friday's show suggested that it had become not so much an inspiration as an obsession, as models came out first in pull-you-in and push-you-up knitwear, then curvaceous tailoring when appliquéd arrows pointed to bosoms and rear to emphasize that everything was cut on a dangerous curve. Westwood used to peddle sex and sedition, but that subversive element was missing from a long, slow show.

The appearance at Jeremy Scott's show Friday of Mariano Puig, whose Spanish perfume house has bought Nina Ricci, fueled rumors that the 24-year-old American from Kansas City is in line for the Ricci job. Puig, who was sitting with fashion kingmaker Isabella Blow, who discovered Alexander McQueen, confirmed that there would be changes at Ricci. But Scott's all-gold show of cape dresses, skirts morphing into pants and winged mink jackets suggested a talent in tight bud.

The British designer Deborah Milner confirmed Friday that she had signed a contract to work with Versace.

SUZY MENKES is fashion editor of the International Herald Tribune.

Clothes for a 'See Me' Generation When Dressing to Look Different Is the Rule

By Katherine Knorr

PARIS — Here's one of those questions that sets fashion executives' teeth on edge, like "Does anybody really wear that stuff?" and "Why don't these guys ever make clothes for real people?" This is the question a lot of parents and other non-fashion-world people ask: "Why is what the kids want to wear so damn ugly?"

Sure, there is plenty of room for differences of opinion about what is ugly and what isn't, but the truth is certain things that can be called fashion — and that

COMMENTARY

have gone from the street to the runway and in some cases back and forth a few times — are just plain ugly.

The most egregious example is probably the late '90s version of platform shoes, which are not the platforms of the '40s or the '70s, which were clunky and heavy but not ugly. The late '90s version has many subcategories, but the most visible one is shaped like something you might expect to see on transvestite streetwalkers. Then there is the super clunky pump with flared out heel, and the platform combat boot, which you have to hope the Marines aren't going to adopt.

The ultimate '90s version of the platform shoe is the elevated track shoe, often in funny colors or with stripes of cheap patent leather, usually worn by girls in extremely tight jeans, the kind that have zippers at ankle level. The combination makes even pigeon-toed girls look knock-kneed, and the ultimate irony is that this actually makes athletic shoes dangerous.

Then there is the ring in the eyebrow or the lip, or tongue studs. Nose jewelry — well, it's got to have a name, doesn't it? — has a long and



Calvin Klein

In-your-face clothes are meant to show individuality.

admirable pedigree in certain Oriental countries and doesn't look too bad, but eyebrow jewelry? It's the descendant of punk safety pins. Punks were especially ugly.

And then there's the neo-'70s look. Now the '70s were a pretty ugly period, as late fanatics of "The Brady Bunch" should be able to attest to. Hiphugging bell bottoms looked bad on most people who wore them, especially trying-to-be-cool college professors; in fact, they really only looked good on Charlie's Angels types, but then everything looked good on them.

Today, we're getting stretch polyester bellbottoms worn with platform athletic shoes, short, above-the-navel tops and flared-at-the-waist velveteen jackets with a vague nod to British rock stars. Ugly.

Then there are long sheer, or wrinkled-material, skirts made of the kind of polyester that has taken over the track suit market in Europe, outfitted with combat boots or Doc Martens or whatever. Sometimes the boots aren't tied up all the way and, so, manage to look like the brogues those unfortunate Appalachian women wear in classic American photographs from the Depression.

This is the ultimate irony of course. You have heroin chic, which despite what the magazines say, hasn't gone away, and lesbian chic, which is vaguely androgynous and particularly heavy on startling and greased-up hair colors, as short as possible, and you have Appalachian-poor chic, a kind of false asceticism in lands of plenty and at amazing prices.

Without wanting to go so far as the old headline vs. the stock market analysis, and leaving aside the fact that fashion, as a business, has to renew itself year in and year out, there is no question that fashion both inspires and reflects its era.

MUCH of high fashion is magnificent, witty, imaginative, a million good things, but the eye of the beholder is overwhelmed these days by ugliness, on and off the runways; this frenetic anti-aestheticism is, and is meant to be, in your face.

It's an attempt to be "interesting," to "stand out" in a world where so much is ugly, notably advertising, which has cleverly managed to make itself indistinguishable from pop cultural "product."

From the rock video to the fanzines to the campaigns of certain ready-to-wear companies, advertising and "performance" long ago became one and the same.

This is not an isolated phenomenon. As fashion and contemporary "art" have clung to each other as a with-it combo (viz the art-and-fashion exhibitions), they have developed a kind of politically correct insider-outsider ugliness, as though the kid who never got chosen for the baseball teams grew up and took over the world.

Dressing in a particularly ugly manner is saying, "I'm not like everyone else. I'm my own person. I'm a freak, therefore cool, therefore an artist." It's politically correct in the extreme, and in that way of course it is totally ironic: There is nothing individual about this ugliness (call it follow-the-leader individualism), just as there is nothing individual about the silly and tasteless "installations," "video art" and the personal display that gets called performance art or relies on bodily fluids to make some kind of neurotic statement. The stud on the tongue is the nail in the canvas, the "blood" on the performance "artist." See me, hear me. This is the new Me generation with a vengeance.

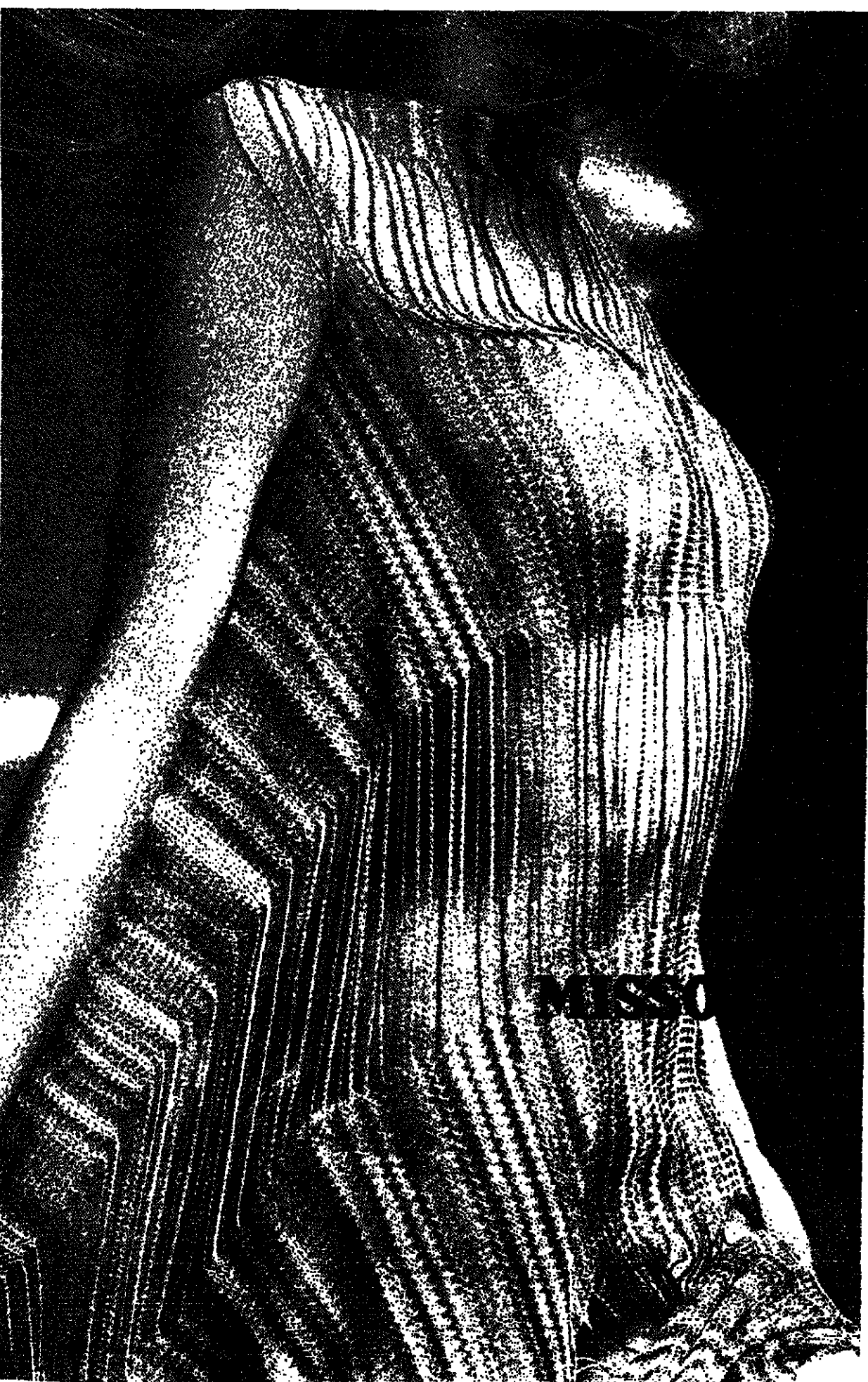
What is it that ugliness is a reaction to? Certainly not to femininity, which for the most part is more than alive, and well on runways and on the street. But it is a reaction to the idea of order, of harmony.

This is the ugliness of blaring neo-Nazi music, and the ugliness of strident "victim art." This is, maybe, the millenarian shadow — this time of doubt and fear as the world seems to get ever more complicated and abstract — filtered through the popular culture, which can grind up any Big Problem and turn it into a ditty.

It's almost impossible to ask whether ugly is sexy. All young girls can of course get away with a lot more than their big sisters, and a pretty young girl can pretty much get away with anything.

Still, the Spice Girls, who are neither particularly young nor particularly pretty, are "sexy" because they show a lot of skin and move around lasciviously, under the direction of male svengalis. The overwhelming ugliness of their clothes is perhaps the only true thing that backs up their silly notion of "girl power." We dare to wear this stuff, we must be Strong Women.

KATHERINE KNORR is a deputy editor of the International Herald Tribune.



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FASHION / A SPECIAL REPORT

New York's Specialty Shops Bounce Back With Trendy Lines

By Jennifer Steinhauer

NEW YORK — If you find yourself in New York in need of an Armani suit, chances are you'll hit one of the many department stores uptown.

But if you're in search of weekend looks from designers of hip contemporary lines, you'd be best advised to stay south of 14th Street, where several little specialty stores have been flourishing over the past 18 months.

The best years of the early 1990s sounded the death knell for many specialty stores that hawked high-end designer duds, and Charivari, the last of that generation, recently filed for Chapter 11 bankruptcy protection.

But the newest incarnation of New York specialty stores are offering something different — mostly small American designers with downtown sensibilities in both their aesthetic and prices, with few items crossing the \$300 mark. They are run by young owners — many fashion company exiles themselves — who are often found on the sales floor helping customers.

The first out of the gate was Stefani Greenfield, who opened Scoop on lower Broadway in 1996. Greenfield, formerly of Donna Karan International, offers some of the better known names in young American designers, like Chaiken & Capone, Daryl K. Tocca and Katayone Adeli, as well as a smattering of D&G, Donna Karan's "D" line and Diane Von Furstenberg's famous wrap dress.

Scoop, which recently opened another branch on the Upper East Side, is really like a heavily edited mini-department store. "The whole concept was, 'How can I make a store like my closet,'" said Greenfield. "It is all item driven. One week, I might buy by color, another week by classification. My store is where you go when you have a date at 8 P.M. and you need something at 6 P.M."

Another store that was inspired by its owner's closet is Spooly D's on Bleeker Street. Julie Meizels elegantly displays her favorite young designers on one side, and a collection of vintage clothing and accessories on the other. "I like the idea that you can mix a vintage

jacket with a pair of designer pants," said Meizels. "I have always liked the high end, but I would also go to the East Village and hop on a pile of dresses."

Look here for Wink, Trina Turk, Katayone Adeli and drozdrik as well as vintage beaded pocketbooks, dresses and the occasional well-worn Chanel suit.

The truly trendy should head for TG-170, hidden on Ludlow Street on the Lower East Side. This is where you will find this season's clam diggers, technicolor shifts and double-slit skirts. There are also lots of cute bags to complement the clothes, (though my husband did sniff that \$150 seemed an awful lot for a bag constructed from truck tarpaulins).

If vintage is your thing, you should stop in Shine, down the street from TG-170. Most vintage stores require heavy digging and stamina to ferret out treasures — this store is set up more like a small specialty apparel shop, with all the goods neatly organized and displayed. On a recent Saturday, a \$30 cozy gray cashmere cardigan was found on the sweater rack; among the lingerie was a

lovely magenta silk camisole for \$18.

Appealing to the softer side of fashion cravings is Calypso St. Barths, a tiny bit of Paris in lower Manhattan. This is where light fabrics and beading rule, as well as raw silk, tiny sexy T-shirts and the girly looks of Only Hearts. Paul & Joe and Min Lee are some of the harder-to-find designers offered.

Not far from Calypso is the Dressing Room, housed in the sort of space you might miss if you blink while walking by. The selection is tiny but fairly original. The recent offerings seem heavily informed by the current athletic and techno-phase. To wit: neon pink shells,

drawstring pants and little lines like United Bamboo. Your 14-year-old will be happy you brought her.

Steven Alan is operating his eponymous store in SoHo in a way that almost guarantees exclusivity with some small, hip lines — he also represents them. Again the store resembles the closet of one of your best-dressed pals — black knit pieces by People Used To Dream About The Future, three-quarter inch sleeve shirts by Cake, a sweet black acetate sweater with black pearls by the Los Angeles designer William B.

Small designers, who often do not have the resources or patience to do

business with department stores, which ask them to kick in advertising dollars and buy back merchandise that does not sell, feel at home in these tiny stores.

"I love these stores," said Sean Barron, co-owner of Katayone Adeli, the poster girl of these small downtown stores. "The people who work in the stores are the customers, the people who own the stores work there. It is not about gross margin and advertising dollars in those stores. It is about being excited about the merchandise."

JENNIFER STEINHAUER covers retail for The New York Times.

Savvy Buyers Sidestep Asia Crisis

By R. Jane Singer

HONG KONG — The regional currency crisis has put a new spin on sourcing. Nine months ago, the formula was simple: South Korea and Taiwan provided high quality production at equally high prices while China and Indonesia offered better prices but lacked sophisticated production skills. Buyers only had to decide at what point they would trade off better practices for better prices.

The apparel industry has kept buyers searching for new sources of good quality merchandise at competitive prices. This has resulted in a move away from developed countries such as Taiwan and South Korea, whose high labor and rental costs coupled with strong currencies pushed garment prices out of reach of most manufacturers.

When the Asian currencies crashed last fall, casual observers thought that buyers would come flocking back to traditional Southeast Asian sources.

It is widely believed that, since exported apparel is priced and paid for in U.S. dollars, factories in Indonesia, Thailand, Malaysia and South Korea must be benefiting from domestic labor and rental costs being relatively cheap.

Rather than this being a bonus for the factories, savvy buyers are using this to put pressure on price discussions.

But price is not the only factor influencing sourcing decisions. Quota availability, production quality and reliability of deliveries are also critical elements. The countries whose currencies have fallen the farthest are now also the most unstable. As a representative for one Hong Kong buying office said, "You have to be able to sleep at night," referring to the nightmare of placing orders with a factory that subsequently fails to deliver.

"We're not doing anything differently at this point," said the director of one of Hong Kong's largest buying agencies, who asked not to be named. His company is still doing business in many of the countries that have experienced currency devaluations, but they are monitoring the situation closely. The concern is about instability — whether work stoppages will cause orders to be delivered late or not at all, and whether factories can finance fabric purchases.

According to Anthony Alfieri, director of Fila Sport (HK) Ltd., buyers do have an advantage. "The currency devaluations have put the old guard on the same playing field as the newcomers," he said, pointing out that Taiwan and South Korea are now more competitive

with their developing neighbors.

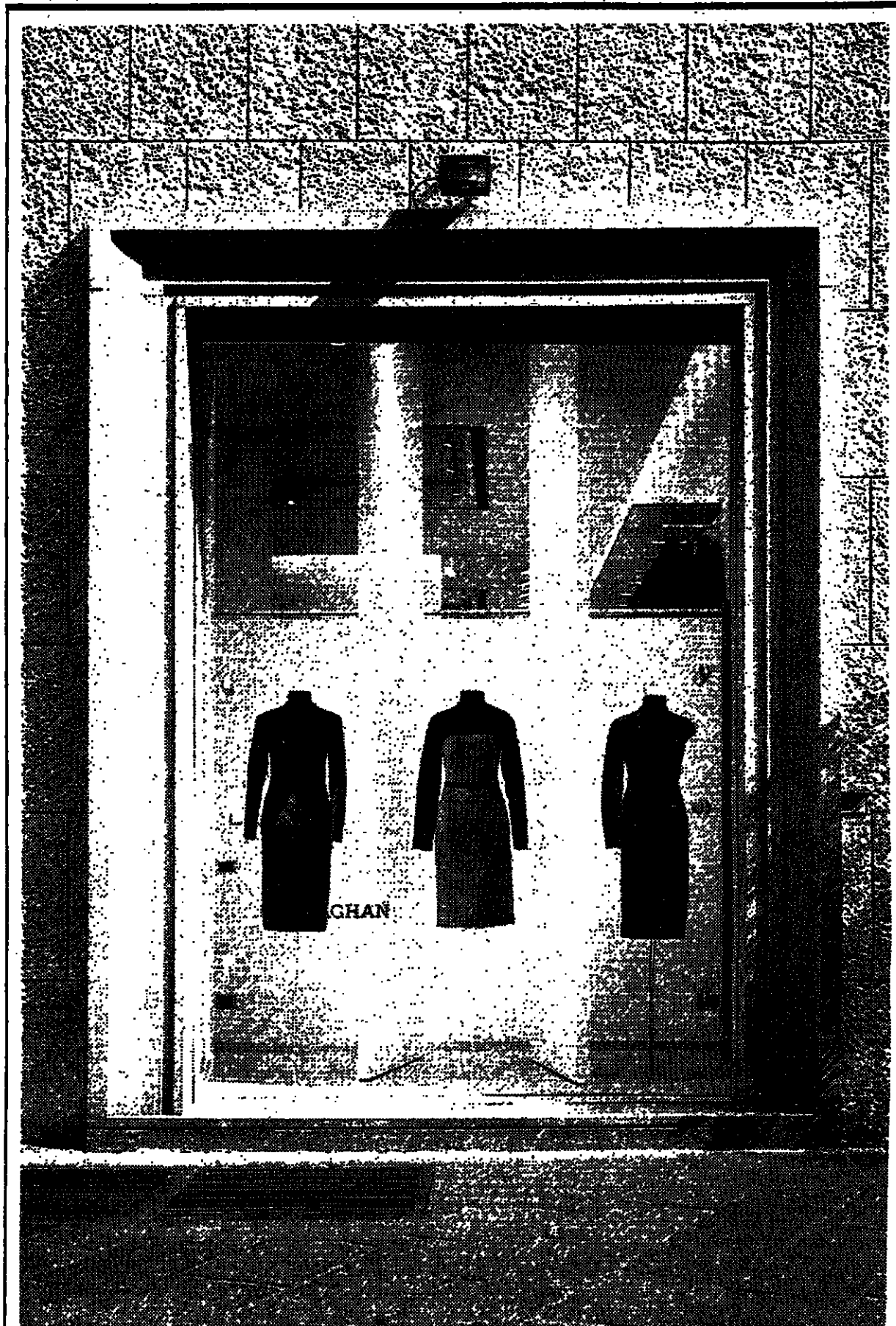
The currency devaluations have created an even stronger buyers' market, he said, because buyers can get good quality garments and focus more fiercely on price and delivery. Alfieri said that everything in the export markets "is based on turnaround time and inventory management. Buyers can now concentrate on those things instead of worrying about price and quality."

In the last five years Fila hadn't placed a lot of orders in Taiwan or South Korea, but now they are taking a closer look at those countries.

The real gain for buyers seems to be in the countries whose currencies have remained stable. Scared that they will lose orders to their low-cost neighbors, factories in these nations feel the need to be more competitive.

However, big buyers can't shift production around that fast just to take advantage of short-term price changes. They need a continuous flow of merchandise and rely on long-term relationships with factories to ensure steady delivery of high quality goods. Most large sourcing operations are therefore hesitant to move away from trusted suppliers.

R. JANE SINGER is based in Hong Kong, where she is editor in chief of the newspaper Inside Fashion.



The new Callaghan boutique on the Via della Spiga in Milan. The interior was designed by Giorgio Longoni.

Mad Rush to Open Up in Milan

By Lucie Muir

MILAN — Though it may lack the hustle and bustle of New York or London, Milan is waking up and re-establishing itself as a major fashion capital with a retailing force to be reckoned with.

A surge in the number of new mono-label stores is taking the city by storm. So much so that its famed "Golden Triangle" shopping district, which spans the Via della Spiga, Via Montenapoleone and Via Sant'Andrea, has had to change shape in order to house new stores from Miu Miu, Dolce & Gabbana, Callaghan, Christian Lacroix, Costume National, Gai Matiolli and Gianfranco Ferré.

But it does not end here. In the coming months, shoppers can expect mega-stores from Jil Sander, Antonio Fusco and Gianfranco Ferré, flagships from Ruschi Malhas and Mandarina Duck, and stores to house jeans collections from Armani and Trussardi.

"There's an exciting new energy in Milan with top designers showing a strong desire to be seen as good retailers," said Andrea Ciccoli, a fashion consultant at Milan-based Bain, Cuneo and Associates. Ciccoli also noted a number of new names opening fancy boutiques in the bridge niche.

"Newcomers are a lot more attentive to retail. They have strong strategies and see a store as a means to be closer to the customer," he added. Even established mono-labels are feeling a need to stay ahead of the competition by opening new stores. Ferré, in addition to the latest Gièffeffe store, will inaugurate a store on the Via Sant'Andrea this fall.

"Today it is fundamental for a mono-brand to have a suitable, well-equipped space, designed in a way which gives the public a global view of their style and products," said Ferré. When Antonio Fusco opens shop on

the Via Sant'Andrea at the end of March, it will feature both men's and women's lines as well as eyewear, leather goods and shoes.

The German designer Jil Sander sees Milan as the best place to expand her global store network. Her first Milan flagship will be unveiled in August on the snug Via Verri. Here men's and women's apparel, accessories and perfume will be displayed on two floors, designed by the American architect Michael Gabbellini.

"The move to Milan has been long overdue," said Sander. "Milan has become a very strong fashion place in Europe and the location at Via Verri will be an ideal platform to be present in the city."

Real estate in the heart of Milan is expensive. But having a store in the historic center is seen by designers as an important investment that offers a guaranteed commercial return.

When Toronto-based makeup specialists, M.A.C. opened its flagship on the swank Via della Spiga three months ago, Frank Toskan, company co-founder and creative director, felt the financial pinch but agreed it was a worthwhile investment.

Toskan said, "Opening here was extremely expensive, but we have never missed an opportunity as big as this just because of money. We wanted our store in Milan, which aside from its vibrant energy, has always had a big demand for our product."

Those in search of more value and space for their money are moving to the Corso Venezia, where large palazzos mix in with modern office blocks. Here the new Miu Miu store was recently inaugurated in what was once the exclusive Santini restaurant. The perky spring collection is matched by a young staff of 20-somethings.

However, Lucia Viola, the store manager at Miu Miu, said, "Even though the product has a younger image these days, we're seeing a more mature clientele — women between

the ages of 25-40 who love fashion and who are wearing more adventurous styles."

Just across the street is the new Dolce & Gabbana Accessories store. The store's frosty decor of granite floors and open ceiling lights is warmed by a single red velvet wall and leopard-print covered thrones for customers to slip on the latest sexy kitten-heeled pumps. According to the store manager, Giuseppe Manieri, the store is attracting 18-25-year-olds "with a lot more spending power and a strong interest for mono-labels."

Speaking on behalf of the design duo that makes Dolce & Gabbana, Stefano Gabbana, said, "The best thing about the Corso Venezia is its central position, its notable movement and the fact that all our stores are in the nearby vicinity."

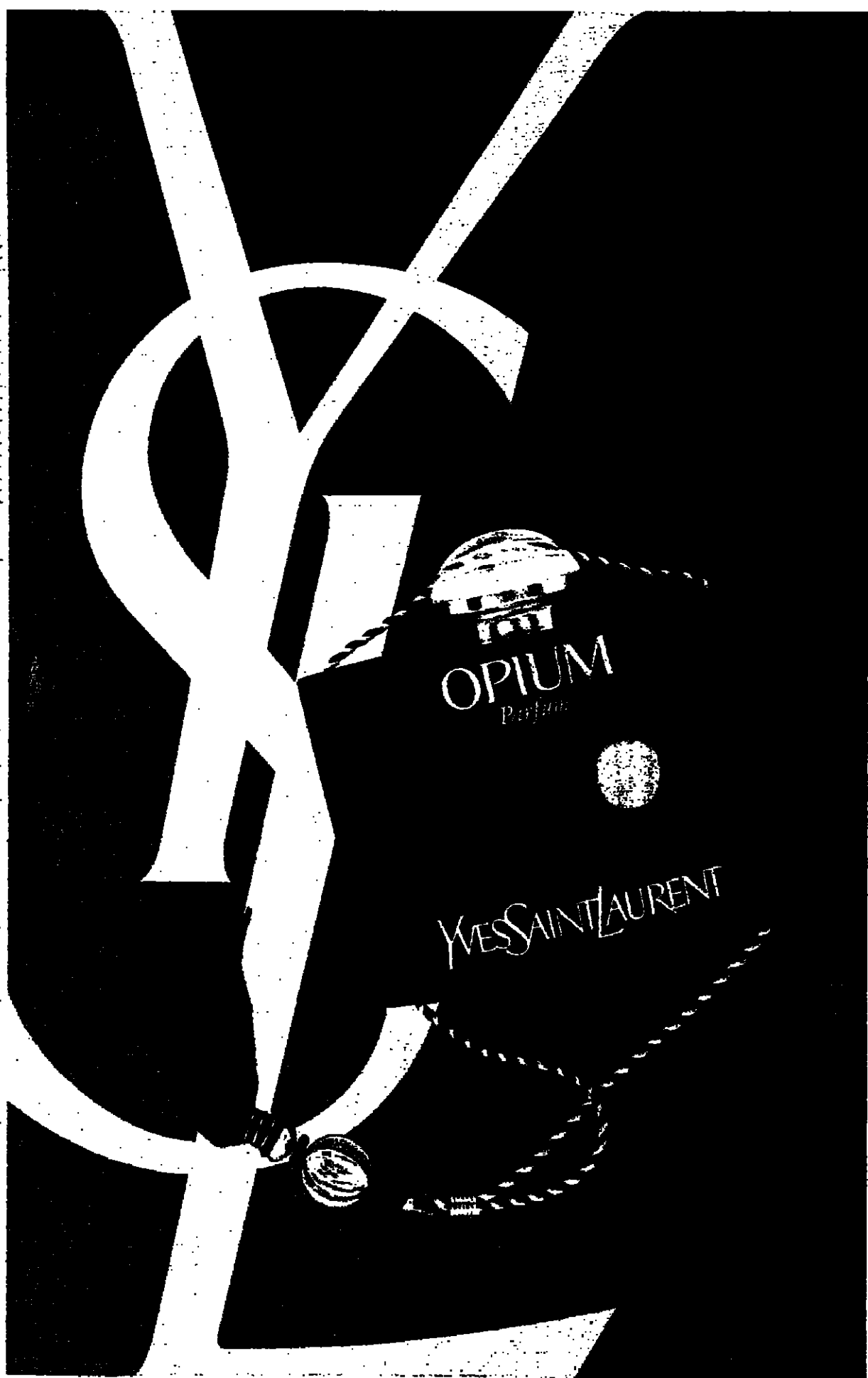
These days Milan means minimal in all areas of design from furniture to clothes. Judging by Milan's seasonal runway shows, Italian fashion continues to be sleek and simple, made with precious natural fabrics in ethereal tones. To reflect the no-fuss looks, designers and architects are furnishing new stores quite simply.

Minimal store interiors are nothing new to the Italian architect Giorgio Longoni, who is responsible for designing Browns in London, Genny, Valentino and Byblos and Callaghan's new store in Milan.

"In design terms, interiors are just as they were when I began designing in the early '70s. While the big designer stores want minimal looks, it is interesting to see that smaller boutiques are looking for cozy interiors with wooden fittings and carpets."

Though Longoni thinks mono-labels have exasperated the minimal look in Milan, he sees the trend continuing with the addition of softer materials and warmer colors.

LUCIE MUIR is a fashion writer based in Milan.



FASHION / A SPECIAL REPORT

France Meshes Old and New to Create a Super-School

By Rebecca Voight

PARIS — The days when budding designers in France learned their trade picking up pins in the couture house atelier are over. Faced with increasingly stiff European and international competition, French schools are beefing up their curricula. Internationalization, multidisciplinary study and fashion business are the new mantras.

A new super-school for fashion in Paris is in advanced planning stages, and should unite the best of old and new France. The yet to be named school will fuse the prestigious but dusty Ecole de la Chambre Syndicale de la Couture Parisienne with the dynamic IFM (Institut Français de la Mode) and several other design schools.

"A fashion education today must encompass everything it takes to create a product, including graphics, packaging and image," said Jacques Mouchier, president of the Chambre Syndicale de la Couture Parisienne which oversees the Chambre School.

Dieder Grumbach, IFM dean, president of Thierry Mugler, and head of the commission for the new school, said, "The fashion education opportunities in France are excellent, but chaotic. We want a unified standard for each discipline."

Finding the right place to study fashion in France is complex. From intimate programs that zero in on the creative process like Paris's Studio Bercot to the Chambre Syndicale school, the bastion of haute technique and the alma mater of Yves Saint Laurent, the programs tend

to specialize, offering no uniform standard upon graduation.

France has lacked a big fashion institution that covers all the bases like New York's Fashion Institute of Technology, or a creative powerhouse capable of turning out future stars like London's Saint Martins, or Antwerp's Royal Academy of Fine Arts.

Luxury is another matter. LVMH Moët Hennessy Louis Vuitton and Cartier have each joined forces with top French business schools to turn Paris into the world's capital for a new specialty: luxury management.

Sup de Luxe, the Institut Supérieur de Marketing de Luxe, created by Cartier in 1990 in association with the Ecole des Cadres, and an MBA in luxury started by the business school, the Ecole Supérieure des Sciences Economiques et Commerciales (Essec), in partnership with LVMH in 1995, put small groups of international students with top luxury executives in the classroom. The schools have also created research departments to function like luxury think tanks.

IFM, the nonprofit fashion management school started in 1986 and presided by Yves Saint Laurent's Pierre Berge, has given France the fashion marketing formation it sorely lacked. And the school's placement rate of 96 percent belies the lingering recession in French textiles.

IFM turns out managers with a creative touch for France's high-profile houses, from Christian Lacroix to APC, as well as for mass-level textile producers and retail chains. "Our graduates work throughout the industry and at all levels," said Catherine Delmarle, who is responsible for IFM graduate placement and industry relations.



Students at Studio Bercot in Paris. The fashion school has a reputation for being the most creative in France.

The new ready-to-wear director at Louis Vuitton was recruited from IFM, as was the director of Galeries Lafayette's store in Berlin. There are six or seven new IFM recruits at Givenchy and the school counts graduates at Comme des Garçons and Ralph Lauren and in the beauty sector with L'Oréal, the cosmetics maker. Esmod, which was established in 1841, making it France's oldest fashion school, has also expanded its horizons.

It now covers the globe with 10 franchises from Japan and Norway to Tunisia and has extended its array of design specialties to lingerie and costume. In 1989, it created the Institut Supérieur Européen de la Mode, which organizes exchanges with other schools for a three-year fashion management and merchandising program.

Studio Bercot's reputation as France's most creative school is intact, but its laissez-faire style has evolved. In the 1980s, its director Marie Rucki realized that students needed more than great ideas and technique to succeed in fashion. She felt they should learn to project a strong personality and image. Bercot graduates Isabel Marant, Veronique Lepoy and Ocimar Versolato are shining examples of this. But Rucki quickly points out that it's harder today. "We're pushing technique, trying to get

students to understand how difficult a designer's job is and that it can't be done at the last minute," she said.

Studio Bercot looks like a big design atelier and it's this intimate environment that Rucki wants to preserve. Students spend the year making mini collections often in tissue paper at the start because Rucki feels it loosens up those who are intimidated by construction.

Neither Sup de Luxe nor Essec's luxury MBA is devoted exclusively to fashion, but the luxury specialty means that fashion plays a big role in the course of study and graduate placement.

"What's new here is having professionals involved in the course and not just on the board," said Michel Gutsat, who created Essec's luxury MBA in partnership with LVMH, with participation from L'Oréal, Elizabeth Arden and Estée Lauder.

"There is a French, or perhaps European, management style, uniquely suited to the luxury industry, and fashion which goes beyond the number crunching typical of top business institutions like Wharton in the United States," Mr. Gutsat said.

The list of Essec's luxury MBA part-time professors and student mentors reads like a "Who's Who" of high-style management. It includes Gerald Mazzalovo of Loewe, the Spanish leather goods company, Robert Bensoussan-Torres, chairman and CEO of Christian Lacroix, and Giorgio Bianchini, financial director of Valentino. Of the 20 students who graduated last October, 16 have already found jobs. At Sup de Luxe, placement of graduates is more than 90 percent.

REBECCA VOIGHT is a freelance journalist based in Paris.

London: the Runway to Success
Alumni of 2 Colleges Bestride World of Fashion

By Roger Tredre

LONDON — To outsiders, it might seem like a conspiracy — two London fashion colleges intent on world domination infiltrate their students into the prime jobs in international fashion.

But Saint Martins and the Royal College of Art have been doing pretty well for years. It is the renewed focus on British designers that has brought their influence to the world's attention. Three of this week's must-see runway shows in Paris were the work of former Saint Martins students — John Galiano at Christian Dior, Alexander McQueen at Givenchy and Stella McCartney at Chloe.

Fifteen of the designers showing on the runway in London last month studied at Saint Martins or the Royal College of Art, including virtually all the hot names — Clements Ribeiro, Deborah Milner, Hussein Chalayan, Antonio Berardi, and Sonja Nuttall.

Why are these British fashion schools so good? Students past and present cite the emphasis on individual creativity and originality married with technical know-how.

Foreign students are lining up to join the courses. "Everyone knows it is the place to go," said Anne Bernecker, 27, a Saint Martins student from Frankfurt who completed her bachelor's degree last year. "You can learn all the basics and the tailoring in Germany, but for the creative stuff you need to come here."

Saint Martins or, to give its formal title, Central Saint Martins College of Art & Design, usually gets the biggest plaudits. Most of the stars of the modern British fashion scene have emerged from the scruffy college building on London's Charing Cross Road.

Saint Martins has its own postgraduate course, but some students opt to go to the Royal College of Art, which only

takes postgrads. From Donna Karan to Prada, fashion houses worldwide turn to the RCA first when they have a vacancy to fill in their design studios.

"Our students may not be conspicuous, but they are the backbone of studios throughout the world," said James Park, head of the fashion and textiles school.

The Royal College of Art benefits from long historic links with the clothing and textiles industry, ranging from the International Wool Secretariat to companies such as Missoni. First-year students are expected to participate in projects directly working with industry.

By contrast, the teaching methods at Saint Martins famously defy analysis, although course heads claim the students' work is more structured than in the past. "It's not as free-wheeling as people say. We're always pushing the students for more," said Louise Wilson, director of the master's degree program. "But self-motivation is the key."

This politely sidesteps the truth that many students go to Saint Martins to have a good time. Even John Galiano did his fair share. "The social life is part and parcel of being at Saint Martins," he admitted.

THE school's location, a few minutes from the bars, clubs and drinking dens of Soho, is tailor-made for temptation. In the early '80s, when Katharine Hamnett and other names of the future were hanging out, no one did much work before midday.

Attendance at Saint Martins or the Royal College of Art is a neat way to make contacts. Some students do not stay around once they have made them. The flamboyant British designer Bruce Oldfield quit Saint Martins after just seven months. In the late '90s, the colleges are turning into fashion versions of Oxford and Cambridge.

"Hearing about McQueen and Galiano does make people want to be the

Next Big Thing," said Sarah-Blue Farrier, 22, one of the most highly rated students on the Saint Martins master's degree program. "Here, they make you believe you can be."

Do the British appreciate what they have got? Saint Martins is better known abroad than it is in Britain, said foreign students. "When I was a teenager in the '80s, I used to read i-D and The Face, and I thought Saint Martins must be the place to be," said Mariana Botey, 27, from Mexico City.

Founded in 1854, Saint Martins started out as a place where nice young people went to do genteel classes in art or illustration. At the end of the 1940s, Muriel Pemberton, a painter-turned-fashion illustrator, created a comprehensive fashion course, mirrored across town at the Royal College of Art. By the early '70s, would-be fashion designers were scrambling for entry.

Last year, 700 applications were received for just 120 places on the Saint Martins BA course. "We've had so much worldwide press," said Wendy Dagworthy, the course head. "It's had a big effect on us."

Not all the press has been positive. Recent reports highlighted the pressures on the young students, particularly following a controversial decision to select only the best students for the press show during Graduate Fashion Week.

Dagworthy is in her last year at Saint Martins. This fall, she crosses town to the rival Royal College of Art, where she will be professor of fashion.

Hundreds more students will be turned away again from both colleges this summer, but college heads are reluctant to expand at too great a pace. "It would be a mistake to spread the teaching resources and expertise too wide," said Jane Rapley, dean of the fashion school at Saint Martins.

ROGER TREDRE is a features writer for The Observer.



Designs by Saint Martins alumni, Robert Cary-Williams, left, and Tristan Webber last month in London.

In New York, Forming Young Talent to Feed a Booming Industry

By Robin Pogrebin

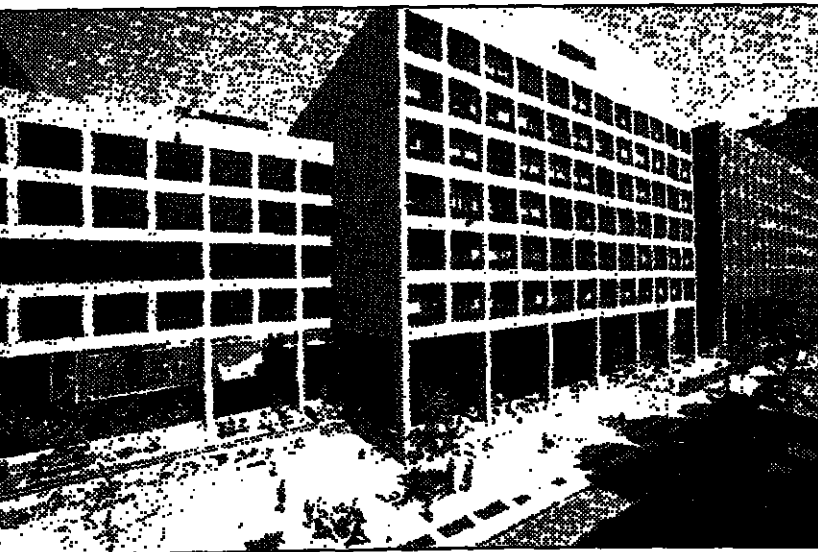
NEW YORK — It is a distinguished list of alumni. Donna Karan. Calvin Klein. Betsy Johnson. Isaac Mizrahi. Norma Kamali. Everyone of these prominent fashion designers — along with several others — attended one of New York City's three leading fashion schools, the Fashion Institute of Technology, Parsons School of Design and the Pratt Institute.

"Parsons was the bridge between high school and my career," said Karan through a spokeswoman. "Parsons gave me the opportunity to learn the discipline of design but also to find ways to express myself."

It is not as if these schools are factories that grind out one fashion star after another. But the schools do feed the ranks of New York's booming fashion industry.

"It's where all the big design studios get their entry-level employees," said Patrick McCarthy, the chairman and editorial director of Fairchild Publications, which publishes Women's Wear Daily and W. "They tend to produce very commercially sound students who can take positions on Seventh Avenue. Most of them don't end up being Calvin or Donna."

Both the Fashion Institute of Technology and Parsons — in midtown Manhattan — and Pratt, in Brooklyn, have year-end fashion shows that are well attended by people in the industry. "You just wait for the talent to emerge," McCarthy said.



The Fashion Institute of Technology in New York, and two examples of the late fashion designer Norman Norell's work on show in the college museum.

The Metropolitan Museum of Art purchased recently two garments designed by a Parsons student — made of the museum's admissions buttons — that had been featured in the school's show. "We take the show fairly seriously," said Richard Martin, the curator of the Met's Costume Institute, who also teaches at Parsons.

By being located in one of the fashion capitals of the world, the schools benefit from being at the heart of the action. Parsons, founded in 1896, has a designer critic program through which prominent professionals meet with students on sev-

eral occasions during the design process, from conceptual drawing to fabric selection to garment construction.

Starting with a simple muslin fabric and using professional models, students spend about three hours at a time having their work evaluated by some of the biggest names in the business.

"It's the beginning of students having professional connection with designers in the industry," said Marie Essex, the chairman of Parsons' fashion design department.

Karan, one of Parsons' designer critics, said she continues to learn through



her teaching. She also said she valued the program for affording her a first look at up and coming talent. Indeed, there are about 30 alumni from Parsons currently working for Karan's company. "It has developed into quite a network," Essex said. "There is this constant feeding back into the industry."

While all of the fashion schools command respect in the business, each has a distinct reputation. Parsons, which has about 300 students in its fashion design program out of the 1,600 that attend the school, is known for the conceptual, artistic aspect of fashion; Pratt, which has

200 fashion students out of about 3,800 and was founded in 1887, prides itself on offering a cross-disciplinary approach.

And the Fashion Institute of Technology, a State University of New York college which has nearly 12,000 full-time and part-time students, is known for the technical aspects of the business. Ever since it was founded as a small trade school in 1944, the FIT has emphasized a practical approach. "To educate the students for the workplace," says Stuart Steiner, the acting president of FIT. "That is the bread and butter of FIT."

Norma Kamali said she recommen-

ded FIT for aspiring fashion designers. "It is located in the fashion district and feels close to the real thing," she said.

But Heidi Weisel, a successful designer who attended FIT, said work experience was more valuable than school. "I don't think it helped me that much," she said of FIT. "They were more technically oriented. If you're a creative person, it's a little stifling."

All three schools have attracted a growing number of foreign students and have sent students abroad. FIT has a campus in Florence, Parsons, a division of the New School for Social Research, has a school in Paris. Pratt is affiliated with a school in Singapore and offers international exchange programs.

But although the students study European design, the schools are all firmly grounded in a more conservative, classic American style.

"I'm always amazed at how unflamboyant the clothes are," McCarthy said. "The New York fashion industry is less experimental in that way. You don't make it in New York fashion if you're too flamboyant. When it comes to Paris designs, there is a certain acceptance of fantasy."

"The couture in France has set standards for what is high fashion," McCarthy continued. "It can be wild and quite crazy and wearable. Americans make clothes that women can understand, that department stores can understand."

ROBIN POGREBIN is a business/financial reporter for The New York Times.

WORLD ROUNDUP
Stieb Wants to Pitch

BASEBALL Dave Stieb, who has not pitched in the major leagues in nearly five years, is trying to make a comeback at age 40 with his original team, the Toronto Blue Jays.

Stieb, who had been working with the team's young pitchers this spring, started training this week at the Blue Jays' minor-league camp in Dunedin, Florida.

"He thinks he can still pitch in the majors, so he'll be working out with our minor leaguers and possibly pitch in a minor-league spring game," a Blue Jays spokesman, Howard Starkman, said.

Stieb was placed on waivers by the Chicago White Sox on May 23, 1993. He was 174-132 in 14 seasons with the Blue Jays, pitching a no-hitter against Cleveland in 1990. He was 1-3 with the White Sox.

• The former Kansas City Royals relief pitcher Dan Quisenberry has completed his scheduled 33 radiation treatments for a brain tumor. "He's celebrating by taking a nap," a Royals spokesman, Steve Fink, said.

Quisenberry, 44, underwent surgery in January for a malignant brain tumor. On Jan. 8, doctors removed about 80 to 90 percent of an astrocytoma grade IV, the most serious type of tumor, from the right side of Quisenberry's brain.

Quisenberry led the major leagues with 217 saves from 1979 to 1985, the year the Royals won their only World Series. (AP)

Jets Get Picks for Douglas

FOOTBALL Hugh Douglas, the NFL's defensive rookie of the year in 1995, was traded Friday by the New York Jets to the Philadelphia Eagles for second- and fifth-round draft choices this year.

The acquisition of Douglas, a defensive end, is the latest attempt by the Eagles to find a pass-rusher and gives the Jets a new second-round choice in the draft, which starts April 18. The Jets had surrendered that pick to New England in the settlement that allowed them to sign Coach Bill Parcells.

Douglas was a first-round pick in 1995 and had 10 sacks that year. He had eight sacks in 10 games in 1996, when he missed six games because of injuries. But he fell out of favor with Parcells last season and had just four sacks as the Jets switched to a 3-4 defense. (AP)

Risen Star Dies at 13

HORSE RACING Risen Star, who won the last two races of the 1988 Triple Crown series, died Friday at Walmac International Farm in Lexington, Kentucky, a spokesman for one of the horse's owners said.

The 13-year-old horse had apparently suffered from repeated bouts of colic. Sired by the Triple Crown winner Secretariat, Risen Star won the Louisiana Derby in 1988 before finishing third in the Kentucky Derby. He went on to win the Preakness and the Belmont Stakes.

His winning time in the Belmont was the second-fastest ever, behind only Secretariat. (AP)

Mavs (Mavs!) Beat Bulls

The Associated Press

The team that Charles Barkley said couldn't win the NBA's top three teams, the Dallas Mavericks, erased a 19-point deficit in the fourth quarter and treated the largest crowd in the history of their home arena — 18,255 — to a 104-97 overtime victory over the Chicago Bulls.

Cedric Ceballos hit a 3-point shot with two defenders on him Thursday night to tie the game at 91 with 3.9 seconds left.

NBA ROUNDUP

left. Toni Kukoc had a chance to win the game, but missed a layup at the buzzer. Ceballos opened overtime with a dunk that gave the Mavericks their first lead of the game.

Michael Finley scored 32 points and Ceballos had 25, including 11 in the fourth quarter and 4 in overtime. Michael Jordan led Chicago with 26 points.

"The Bulls usually lose a game once a year to a bad team, and tonight we got the present," said the Mavericks' coach, Don Nelson.

The victory came two nights after a 97-91 loss to Houston that prompted Barkley to say, "I don't think they could win the NBA's." The Mavericks have only 14 victories, but four have come

Picabo Street Breaks Femur In Season's Last Downhill

The Associated Press

CRANS MONTANA, Switzerland — A crash by the Olympic super-giant slalom champion Picabo Street in the final downhill of the season Friday forced organizers to call off the race, which had been repeatedly rescheduled due to fog.

The American racer, who had come back less than six months ago from a serious knee injury, was taken by helicopter to a nearby hospital. The official doctor of the race, Patrick Vuilleumier, said Street had fractured her left femur and would have an operation Friday.

Gian Franco Kasper, general secretary of the International Skiing Federation, said he believed Street fell because she "made a mistake" and not because of the course conditions.

Officials said the race had been canceled because there would not have been enough time to restart it after Street was airlifted off the course.

Josef Strobl of Austria clinched the men's final World Cup downhill run earlier Friday, his first downhill victory in three years.

Strobl, whose last World Cup downhill victory came in Val d'Isere, France, in 1995 — the day of his World Cup debut — finished in one minute, 30.84 seconds.

The fog that has plagued the World Cup finals for days began to lift Friday afternoon, allowing the races to start. But visibility was not perfect, and the conditions could have contributed to Street's crash, some observers said.

Didier Cuche of Switzerland, who tied for the Olympic silver medal in the super-G, placed second for the men, more than half a second back. Fritz Strobl of Austria scored his best result of the season in downhill to take third in 1:31.39.

Andreas Schifferer, also of Austria, has already claimed the downhill title. He finished 10th on Friday.

The Austrian powerhouse Hermann Maier, who had already claimed the World Cup super-G and overall titles, skipped the speed events because of a sore back. But he was slated to compete Saturday in the giant slalom, where he is poised to win the title.

Maier, winner of the Olympic super-G and giant slalom, held onto his second place in the downhill standings. Maier has dominated the tour all season, winning two downhill, four super-Gs and three giant slaloms.

The fog had forced organizers to cancel both the men's and women's super-G races and delay the downhill. It was not clear whether the super-Gs would be rescheduled.

Katja Seizinger of Germany, who has already clinched the World Cup super-G and downhill titles, is looking for a victory in the season's final super-G to secure her hold on the overall title.

The Olympic downhill champion holds a huge 267-point lead in the World Cup standings going into the final races of the season and is virtually assured the crystal globe. Her teammate, Martina Ertl, is the only person who could overtake her, but to do so she would need to score points amounting to about three wins — and Seizinger would have to earn zero.



Toby Madison of South Alabama, center, looking for an opening against Matt Heldman, left, and Brian Johnson of Illinois during the first half.

**Even Jordan Is Eclipsed
Drama of the NCAA Upstages the Mighty**

International Herald Tribune

BOSTON — A few dozen relatively weak college basketball teams are going to steel the spotlight from the National Basketball Association for the next three weeks. Even Michael Jordan — blasphemy — is going to be something of a secondary entertainer, because he and his fellow millionaires simply cannot compete head-to-head with the NCAA tournament.

The 64-school tournament is an annual update of the American Dream as many Americans like to imagine it. As competitions go, it is apparently fair and undiscriminating. The games are played on neutral courts, although some teams

In America/IAN THOMSEN

do benefit for a round or two by playing in their home state or region. As some of the bigger, richer universities are knocked off by poor little nobody basketball teams like Arkansas-Little Rock or Austin Peay, the whole nation celebrates, as if the idea that anyone in this country can make it to the top has just been proven on live TV.

Of course, as the pressures increase with each round of play, the outcomes tend to favor players who have gone to "the right school." Attend Harvard to study political science, history or economics and you'll have a better chance of running for Congress than somebody who went to Austin Peay. The same situation holds true for basketball. Inevitably, traditional basketball programs like North Carolina, Duke and Kentucky tend to win the tournament and schools like Arkansas-Little Rock do not. No. 1 seeds have won nine of the last 19 tournaments.

The NCAA tournament is up there in friendly warring with the Super Bowl and Kentucky Derby. This past week, every American newspaper (this one included) has published the draw of the 64 teams, which has been photocopied several million times to be filled out in office pools across the country.

Knowledge of college basketball is a hindrance when forecasting this tournament. In every state, people who don't know their Prairies Views from their Indians will win a couple of hundred dollars by predicting winners blindly all the way down the line.

For sure, "March Madness" is more of a cultural event than any other sports tournament in America. Here you have inner-city kids playing for little rural schools, farm hands playing for sophisticated institutions. Small towns are scheduled against cities. In these games inspiration can be the main factor.

In the first round, Princeton, the most academic-minded school in the field, routed the University of Nevada-Las Vegas, which is the finest rogue basketball school in the country. UNLV always seems to be under investigation

by the NCAA for alleged recruiting violations. While Princeton develops some of the world's most brilliant scientists and writers, UNLV produces many excellent blackjack dealers. I would say that about half the country was rooting for UNLV in that game.

Late Thursday night, the University of Connecticut — the toughest team in the Northeast — was pushed to a hard victory against Fairleigh Dickinson of Teaneck, New Jersey, a school routinely known by the nickname of "Fairly Ridiculous."

Anyone who tells you he predicted the outcome of the 1989 tournament is surely a ridiculous fraud. In that year, the University of Michigan coach, Bill Frieder, announced on the eve of the tournament that he would be leaving the following year for a more lucrative coaching job in Arizona. His boss at Michigan, Bo Schermerhorne, kicked him out the door immediately and put an assistant coach, Steve Fisher, in his place. Fisher went on to win the first six games of his head-coaching career to become an instant national champion.

Altogether, the NCAA's are similar to England's original FA Cup — except for a couple of American particularities. The English soccer tournament is spread out across the year; this one is squeezed into an 18-day period. Just as surely, the American tournament is a creation of television. Just a couple of decades ago, at the end of UCLA's dominating run, the NCAA tournament was a 16-team event. It quadrupled in size to feed the networks' appetite for live programming. CBS is currently paying \$1 billion for eight years of coverage.

There are plenty of reasons to be jaded about college basketball. Each season begins in November with a series of meaningless preseason tournaments in New York, Alaska and Hawaii, followed by a month of meaningless games scheduled before conference play begins, which itself has been made meaningless by the enormous growth of the NCAA Tournament. These days, a team could finish in fifth place or worse and still be invited to the tournament. In fact, a school could finish in the neighborhood of dead last and then win its conference's tournament, thereby earning a place in the Final 64 without so much as a winning record. It happens all the time.

And yet — unlike the FA Cup — all of the players in the NCAA tournament are not professional. While the coaches and universities are pulling in millions of dollars because of their performances, the players, according to NCAA rules, are permitted little more than payment of university tuition, room and board. It doesn't seem to bother them. They run back and forth across each game like greyhounds. When they're older, they'll know better.

Ian Thomsen is a senior writer at Sports Illustrated magazine.

Kentucky Overpowers South Carolina State
Valparaiso Stuns Mississippi on Shot At the Buzzer; Syracuse Edges Iona

The Associated Press

The University of Kentucky's front line, led by Nazr Mohammed with 18 points, manhandled South Carolina State and gave the Wildcats their first NCAA tournament victory under Coach Tubby Smith, 82-67, on Friday in the first round of the South Regional in Atlanta.

Second-seeded Kentucky (30-4) had too much size and depth for South Carolina State (22-8), whose forwards and centers took a pounding.

Kentucky, which won the Southeastern Conference's regular-season and tournament titles, dominated the final 10 minutes of the first half, building a 43-28 lead against the overmatched champion of the Mid-Eastern Athletic Conference.

South Carolina State, which trailed only 20-18 when Roderick Blakney hit a scoop shot in the lane with 10:14 left in the opening period, missed 10 straight shots before Blakney made another basket 64 minutes later.

By that time, Kentucky had a 35-23 lead and was cruising toward its eighth consecutive victory, all won by double-figure margins. South Carolina State didn't get closer than 11 in the second half.

Syracuse 63, Iona 61 In Lexington, Kentucky, Marius Janulis hit a 3-point shot from the top of the key with 1.2 seconds left, lifting Syracuse to victory over Iona.

Syracuse (25-8), the No. 5 seed, appeared ready for a quick exit from the tournament after Iona's John McDonald hit a 3-point shot with 24.2 seconds to go. But after a Syracuse timeout, the Orangemen worked the ball around the perimeter until it ended up in the hands of Todd Burgan. Burgan's shot was blocked by Kashif Hameed, but he got his own rebound and passed to a wide-open Janulis, who calmly drilled his second 3-pointer in the final minute.

After timeouts by both teams, Iona's Tariq Kirksey's floor-length pass was deflected out of bounds as time expired.

Western Michigan 75, Clemson 72 In Chicago, Rashod Johnson made eight 3-pointers, converting one into a go-ahead four-point play with 1:31 left, as Western Michigan blew a big lead before regrouping to beat Clemson in a Midwest Regional game.

Clemson (18-14), the sixth seed, rallied from 16 points behind in the second half to take the lead, but couldn't take control of the game.

Saddiq Washington added 24 points for Western. Harold Jamison, who picked up two fouls in the first minute of the game, scored all 14 of his points in the second half to lead the Tigers.

Valparaiso 70, Mississippi 68 In Oklahoma City, Bryce Drew hit a leaping 3-pointer at the buzzer to give Valparaiso a shocking upset of Mississippi.

The 13th-seeded Crusaders' first NCAA tournament victory was set up when Mississippi's Ansu Sesay missed two free throws with 4.3 seconds left.

With 2.5 seconds remaining, Valparaiso's Jamie Sykes threw a long pass from the baseline past midcourt to Bill Jenkins, who sent a touch pass to Drew, the son of Valparaiso's coach, Homer Drew.

Drew's off-balance shot from the right wing swished, sending the Crusaders onto the floor in celebration. Drew scored 22 points, including four 3-pointers, as Valparaiso (22-9) won its 12 consecutive game.

In games played late Thursday: Princeton 66, UNLV 57 In Hartford, Connecticut, Princeton started slowly against UNLV (20-13), missing six of its first seven 3-point shots and falling behind, 13-7, against a zone defense. Then the 3s started falling — the Tigers hit their next eight — and Princeton went on a 20-2 burst to close the half and take a 35-22 lead. UNLV had one field goal over the final 8:50, and that was a rebound basket at the buzzer.

Brian Earl finished with 21 points for the Tigers, while Mitch Henderson had 19 and Gabe Lewullis 17. Tyrone Nesby topped UNLV with 19 points, and Brian Keefe added 15.

UNC Charlotte 77, Illinois-Chicago 62 DeMarco Johnson had 30 points and 10 rebounds and Sean Colson added 18 points and 13 assists for Charlotte (20-10). Anthony Cootnes scored 19 points for Illinois-Chicago (22-6).

Michigan St. 63, E. Michigan 71 Mateen Cleaves, playing with foul problems, scored 20 points as Michigan State beat Eastern Michigan. Charlie

Bell added a career-high 22 points for Michigan State (21-7). Derrick Dial led Eastern Michigan (20-10) with 29 points.

Richmond 62, South Carolina 61 In Washington, D.C., Jared Stevenson scored 24 points as 14th-seeded Richmond added another NCAA tournament upset to its resume by shocking third-seeded South Carolina. Richmond (23-7) held the Gamecocks scoreless over the final 76 seconds.

As soon as a drive by South Carolina's BJ McKie and subsequent tap-in attempt went awry at the buzzer, the Spiders gathered at midcourt to celebrate yet another upset. Their past surprises include a victory over a Charles Barkley-led Auburn team in 1984; victories over Indiana and Georgia Tech in 1988; and most notably, a stunning 73-69 triumph over second-seeded Syracuse in 1991.

McKie scored 24 points for South Carolina (23-8), which was ousted from the tournament in the opening round last year by unheralded Coppin State — only the third time a No. 15 seed had

beaten a No. 2. **Indiana 94, Oklahoma 87** After paying \$10,000 to coach his team to an overtime victory, Bob Knight said: "If I'd have had these same three officials in that other game, I'd have saved \$10,000."

That other game was the Indiana-Illinois matchup last month when Knight lashed out at a referee and was penalized with the option of a \$10,000 fine or a suspension from Thursday's game.

Taking the fine, Knight had to work overtime as his seventh-seeded Hoosiers blew a 19-point second-half lead before pulling off a victory over the No. 9 seed, Oklahoma.

Andre Patterson scored 26 points, A.J. Ouyton had 23 and Luke Recker had 21 for Indiana (20-11). Corey Brewer scored 22 to lead the Sooners (22-11), who have lost in the first round each of their last five NCAA appearances.

UCorn 93, Fairleigh Dickinson 85 Richard Hamilton and Khalid El-Amin each scored 30 points as Connecticut (30-4) held off Fairleigh Dickinson (23-7), which got a sensational 43-point performance from Elijah Allen.

Cincinnati 66, N. Arizona 62 In Boise, Idaho, D'Juan Baker sank a 3-point shot with 3.6 seconds left, as Cincinnati avoided a huge upset. Northern Arizona (21-8), a 15-point underdog in its first NCAA tournament, frustrated the Bear cats (27-5) with a swarming defense and patient offense.

Utah 85, San Francisco 88 Utah's towering front line overpowered San Francisco (19-11), which returned to the tournament 16 years after its basketball program was dropped. Michael Doleac scored 27 points, including 15-of-17 from the foul line, for Utah (26-3).

Arkansas 74, Nebraska 65 Nebraska fumbled away a 10-point second-half lead and lost to Arkansas in a sloppy game that featured 43 turnovers. Pat Bradley scored 19 points for the Razorbacks (24-8), who finished with a 13-4 run. Tyrone Lue scored 18 points for Nebraska (20-12), which fell to 0-6 in NCAA tournaments.

Illinois 64, South Alabama 51 In Sacramento, California, Kevin Turner scored 18 points and Matt Heldman added 15 for Illinois (23-9), which forced 20 turnovers with a tenacious defense. Toby Madison led South Alabama (21-7) with 19 points.

Marquette 62, Utah St. 66 Rodney Elliott had 21 points and 11 rebounds as Maryland beat Utah State. Obinna Ekezie added 17 points and Sarunas Jasikevicius had 16 points and seven assists for Maryland (20-10). Kevin Rice led the Aggies (25-8) with 14 points.

Minnesota St. 62, Tennessee 61 Dan Muller hit a lay-up with 1.8 seconds left in overtime to give Illinois State the victory over Tennessee. Rico Hill led Illinois State (25-5) with 22 points and LeRoy Watkins added 18. Tennessee (20-9), which hasn't won an NCAA game in 15 years, was paced by Brandon Wharton's 23 points.

Arizona St. 60, Nicholls St. 60 Miles Simon did miss a dunk, and Michael Dickerson threw up an airball on a jumper.

Other than that, the Wildcats were just about flawless as they began the defense of their NCAA title with a resounding first-round victory over Nicholls State.

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DAVE BARRY

Sick of the Media, Eh?

MIAMI — I am getting sick and tired of listening to you members of the public carping about the news media. Every time I turn on the TV or radio, they're interviewing some Typical Heartland Americans — five or six hard-working, salt-of-the-earth agricultural guys wearing bib overalls and baseball-style caps imprinted with the brand name of a pesticide, drinking coffee in a diner in some soybean-infested region.

One of these guys — the spokesguy — always says something like: "I'm sick of the media. All they want to talk about is scandals and sex! We want 'em to cover the issues! And don't sensationalize! Stick to the facts!" And the other guys nod in agreement.

O.K., my first question is: If these guys are so hard-working, how come they're always in the diner? I've been monitoring this phenomenon closely, on all the major networks, and as far as I can tell, these guys have basically been sitting around drinking coffee and carping about the news media since the Nixon administration.

You know what I think? I think they don't work at all. I think they get up at the crack of dawn and go to the diner, and they spend their entire day there, waiting for TV news crews to show up. While they're waiting, they watch Jerry Springer and exchange fashion tips ("Elmer, is that a new pesticide cap? It's YOU!")

But whoever these guys are, the anti-media remarks they make are echoed by many Americans. Probably you are one of them. Probably, if anybody asks you what you think of the news media, you say, "I think they go too far! I think they should stop covering sex and go back to covering important issues, such as the economy!" You make a very strong point. Let me respond by saying this: Liar liar, pants on fire. You don't want to read about the economy! You love to read about sex! Everybody does! Let's consider two hypothetical newspaper headlines:

FIRST HEADLINE: "Federal Reserve Board Ponders Reversal of Postponement of Deferral of Policy Reconsideration"

SECOND HEADLINE: "Federal Reserve Board Caught in Motel With Underage Sheep"

Be honest, now: Which of these two stories would you read? There's no need to answer: We here in the newspaper business already know! You want sex! Nobody ever reads the stories about the economy! We can prove it! Every day for the past six months, as an experiment, all major daily newspapers in the United States have been running daily stories with headlines referring to the Indonesian currency crisis.

But guess what? There IS no "Indonesian currency crisis." We're not even sure there is any such place as "Indonesia."

Every one of those "news articles" was actually a lengthy verbatim excerpt from the 1923 book "The Hardy Boys Reach Puberty." And you never noticed! You were too busy reading stories about the "issues" that you REALLY care about, such as who took Monica Lewinsky to her junior prom.

This is nothing to be ashamed of. Americans have always been interested in political sex scandals, dating back to the administration of George Washington, who had a lengthy and well-publicized affair with Elizabeth Taylor.

I will admit that in recent years, our standards have gotten lower, as evidenced by the decision last week by The New York Times to publish a full-page nude photograph of Jesse Helms. But you have to understand that we're under a lot of pressure in the news business.

The competition is tremendous, what with all the new sources of news, such as the Internet, which provide us with fantastic quantities of information (or, in technical computing terminology, "bauds"). We'll be sitting around the newsroom, trying to think about the Federal Reserve Board, and all of a sudden the word comes over the Internet: Tipper Gore is a lesbian! Allegedly! We know that every other news operation will be following up on this story, on the solid journalistic ground that every other news operation will be following up on this story.

So we swing into action, and after maybe five days of stories featuring the words "TIPPER" and "LESBIAN" in the headlines, and the word "allegedly" in paragraph 34, we get to the bottom of the story, which is that it was a prank put on the Internet by a 12-year-old boy named Walter. And thus, because of our relentless efforts, you, the public, get to find out the truth. Don't bother to thank us! We're already busily working on our next story, which is to see if there is any connection between Walter and Monica Lewinsky.

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The Geomancy of Ancient (and Modern) Living

By Mary Blume
International Herald Tribune

PARIS — Health! Wealth! Happiness! What more does one need? An interior decorator of course.

It's not quite that simple. These days the profession isn't about window treatments any more: it's about feng shui.

Feng shui, or wind and water, is the ancient Chinese geomancy of landscape and design. In recent years it has become a Western fad and now there is a London-based glossy magazine, Feng Shui for Modern Living, that not only gives decorating hints but also promises to "increase your wealth, improve your relationships, turn your dreams into reality."

Launched on the advice of feng shui experts on the 14th day of the Year of the Tiger, the publication claims to be the world's first full-color feng shui magazine. The first printing was 146,820 copies and an additional 125,000 have just gone on the newsstands.

"As it turns out, I don't think that's enough," said the publisher, Richard Skinner, by telephone from London. The first issue even includes letters from readers (of what, since the magazine didn't yet exist?), eager for help.

One of them has just moved into a new apartment and cannot seem to hold on to money. Answer: There are ways to keep money from going down the drain. In the Wealth section of the southeast corner, place wooden objects, an aquarium and small round-leaved plants such as the Chinese jade plant, and in the southeast corner of your desk ancient Chinese coins tied together with red thread will energize money luck. To halt the flushing away of money, fix all dripping taps and keep the toilet seat down at all times.

Skinner — who has been in publishing since his university days when he took over the student magazine, put ads in it and made sufficient profit to pay his tuition — wrote his first feng shui book in 1976 when he was publishing food and health magazines. He has read

feng shui texts in the original Chinese and doesn't like to consider it a New Age fad.

"No, I like to talk about feng shui as a very old age approach. I mean it's something that has been around for thousands of years as an integral part of another culture. It's a cultural transplant, just as acupuncture, which is now an accepted medical practice, or kung fu back in the '50s, and I suppose earlier things like gunpowder and pasta."

Like all glossy magazines, Feng Shui for Modern Living has a celebrity interview: April will feature Boy George, the current issue shows the penthouse of the novelist-politician Jeffrey Archer, whose natal chart shows that his most auspicious direction is west, where both his front door and desk face, ensuring "great abundance, prosperity and happiness." At the dining table he should also face west and the huge modern metal chandelier over the dining room table is not great, feng shui-wise, in that it suppresses the ch'i, or energy flow of the room. Also, the mirror should have been placed higher, to reflect the food. But, in general, Archer's two interior decorators did well.

Interior decorators, Skinner says, have approached him about clients' demands to have a feng shui master consult on refurbishment. "In America, of course, you have architects and designers with not only a feng shui man but a feng shui department."

Boldly, Skinner is distributing his magazine in the Far East, and was off to Hong Kong, Singapore and Kuala Lumpur, where he says two corporations on the same road are engaged in a feng shui fight to the finish.

"One building has its escalators formed in a cross pointing to the other one; the reply was to put a cannon out pointing at the first building. The first building built a circular structure in front, and so on. It's interesting that they were willing to spend significant amounts of company money to fight this. Locals would have you believe that year-end results reflected whoever happened to be winning."

Heading East may seem a coal-



David Sauer/1977

to-Newcastle proposition, but Skinner says there are no glossy magazines there on the subject. "There will be a slight cynicism that somebody in the West can re-export to them their own traditions, but if that doesn't stop them from buying it then I think we've got quite a large market there."

Feng shui is a complex process that the magazine tries to make simple with advice on diet, shopping and horoscopes, which play an important role in feng shui, so that every time one changes partners another reading should be made. A geomancer charges £250 (about \$400) for a flat or small house, a good deal more for a shopping center. Feng shui, Skinner says, is of such wide interest that he regards his magazine as a lifestyle, rather than a niche, publication. The ads reflect this, ranging from traditional fitted kitchens to ceramic waterfalls to a sensual massage oil from Boots.

There are observations on London's ch'i, which is moving from the prosperous west to northeast, where Clerkenwell and Islington are experiencing property booms. Color symbolism is important (red is the most auspicious color) as is the proper balance of yin and yang foods, and the problem of unsupportive office environments is firmly addressed.

"Calculate your best direction and if possible have your desk facing that direction," Skinner says. "It's better not to have a desk facing someone else working in the opposite direction. The introduction of house plants is quite useful, rounding off corners, removal of anything too sharp or pointed, making sure that you sit without having your back to the entrance door."

Once you have chosen your desk's direction, consider where you place objects on it. The east part should be associated with new

projects, southeast is for objects connected to communication. Put your Filofax in the northwestern segment. The northeast part is associated with taking risks and being competitive and should be reserved for papers regarding investments or, to increase motivation, cash flow charts.

There are, says Skinner, plenty of feng shui no-no's. "Here are just a few. The entrance of a building is very key in feng shui and if you have directly opposing it a lamp-post or a spire or a blank wall, that's a no-no because it effects the quality of the ch'i entering the building."

"The second no-no would be in a bedroom context. One shouldn't have a mirror placed in any way so you can see your reflection on the bed, certainly not when you're sleeping."

A page one story in Le Monde the other day revealed the Central Bank of Taiwan's bad feng shui. Hong Kong's chief executive, Tung Chee-hwa, turned down his proposed headquarters on the advice of his feng shui master. Someone has done the feng shui of the Oval Office. In London it would be more auspicious for the Houses of Parliament if the Thames ran in front, rather than behind.

As for Buckingham Palace, Skinner saw the trouble coming. "The basic point about Buckingham Palace which a lot of people seem to miss is that the traffic configuration in front was changed about eight years ago and that changed the feng shui flow outside the palace for the worse. The feng shui lines of energy coming down the Mall now impinge upon the palace without the benefit of a roundabout which would have deflected them."

If the roundabout were restored, then the fortunes of the royal family would show an upturn, Skinner says, since their troubles began within three months of its removal. And have continued. Why, just the other day a chunk of the palace's ballroom ceiling fell on the head of a man watching his father being invested by the queen. Bring back the roundabout, ma'am, and show us you care.

PEOPLE

THE government says some items of the John F. Kennedy memorabilia that are scheduled to be auctioned next week may actually belong to the United States. The National Archives and Records Administration has sent experts to New York to examine the artifacts being offered for sale by Guernsey's. The contents of the auction were to go on public preview Friday at the New York Historical Society. The National Archives has identified at least 14 lots that it contends are of historical significance and should be given to the Kennedy Library in Boston.

Princess Margaret, the 67-year-old sister of Queen Elizabeth II, left the hospital for home after treatment for a mild stroke. The princess suffered the stroke in Mustique on Feb. 23. She left the King Edward VII Hospital for Officers late Thursday but is not expected to resume any official engagements in the immediate future.

Terry Anderson, the former chief Middle East correspondent for The Associated Press

who was held hostage by terrorists in Lebanon from 1985 to 1991, will join the faculty of the E. W. Scripps School of Journalism at Ohio University.

The Los Angeles glitterati turned out for a preview of the movie "Primary Colors," based on the reporter Joe Klein's novel about a U.S. presidential campaign that looked a lot like Bill Clinton's. John Travolta was on hand with co-stars Emma Thompson and Adrian Lester.

The 1997 George Polk Awards were announced in New York. Kurt Eichenwald and Martin Grottel of The New York Times won an award for excellence in journalism for their articles on allegations of corruption at the United States' largest private hospital chain, and Keith Bradsher, Detroit bureau chief for the paper, won for national reporting for his investigation into the human and financial toll that sport utility vehicles take on the nation's roadways. A career award was given to The

Pittsburgh Courier, which for nearly 50 years has been covering affairs of special interest to black Americans. Michael Dobbs of The Washington Post won an award for his article documenting the Jewish roots of Secretary of State Madeleine Albright.

"Titanic" has found a heavy-weight fan in China: President Jiang Zemin. "This movie shows fully how people deal with the relationship between money and love, poverty and wealth, in the middle of a difficult situation." Noting that the movie has reaped more than \$1 billion around the world, he said: "That's venture capital, eh?"

Strike two. The Conservation Commission of Chilmark has turned down a Warner Bros. request to film scenes for "Message in a Bottle" on Martha's Vineyard. The council of Tangier Island, Virginia, had already objected to the drinking, sex and cursing called for in the movie, which features Paul Newman and Kevin Costner.

SPORTS
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The World's Daily Newspaper

Minister Jospin exiting a polling station in Citegabelle, in southwest

Europe New Le
Will Divided b
eology Desp
Smiling Face

By John Vinocur
International Herald Tribune

PARIS — If Gerhard Schroeder's power this September along with Lionel Jospin, then Europe will find itself led by a leader as glib as with the German Social Justice that has led the country to come to the margins of Europe.

NEWS ANALYSIS

Meeting here last week, from the likelihood of Germany being simultaneously governed by what he called the pragmatism of three energetic, reasonable and anti-doctrinaire in spirit, could go breathtakingly to the world.

As to be the case, the notion has been in the air for some time. In London, the affinities, the ties could have passed for the civility and good intentions of Europe's left, nationalistic political cultures and constitutions to be caricatured leaped up to the seamless modernity, played out rather like the everyday friction.

See LEFT, Page 10

the Worst O
n't Bet Too

Keith B. Richburg
Washington Post Service

FRANK — The region's currencies largely stabilized — they are in value, but no longer are stock markets have ended toward slide for now. Paradoxically, laws, opening up economies and allowing foreign chunks of the pie. Foreign investors are already in the neighborhood, poking through the veil of finality over for Southeast Asian "tiger" economies? After the financial turmoil, is the region looking at recovery? In fact, most warn that the shoe is only just being put on.

fall," said David Roche, a London-based investment strategist. For one thing, the region has not yet experienced

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